

PUBLIC DISCLOSURE

October 3, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Northwest Savings Bank
Certificate Number 28178**

**Liberty Street at Second Avenue
Warren, Pennsylvania 16365**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of the institution. This rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Northwest Savings Bank (NSB)**, prepared by the **Federal Deposit Insurance Corporation (FDIC)**, the institution's supervisory agency, as of **October 3, 2011**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

NSB has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income individuals and businesses, in a manner consistent with its resources and capabilities.

PERFORMANCE TEST RATINGS TABLE:

The following table indicates the performance level of NSB with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	<i>Northwest Savings Bank</i>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

* Note: The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

SUMMARY OF MAJOR FACTORS SUPPORTING RATING:

NSB has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income individuals, neighborhoods, and businesses in a manner consistent with its resources and capabilities. This rating was determined using the Large Bank CRA evaluation procedures. The bank's performance under the Lending, Investment and Service Tests is summarized below.

Lending Test

- The bank's volume of lending reflects an adequate level of responsiveness to the needs of the assessment areas.
- The bank originated a substantial majority of its home mortgage, small business, small farm, and other small businesses secured by residential real estate within the designated assessment areas.
- The overall geographic distribution of the bank's lending represents adequate penetration throughout the assessment areas.
- The overall distribution of the bank's lending reflects an adequate distribution among retail customers of different income levels and businesses and farms of different sizes given the product lines offered by the bank.
- The bank made an adequate level of community development loans during the evaluation period.
- The bank makes little use of flexible or innovative lending practices.

Investment Test

- NSB has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those investments that are not routinely provided by private investors.
- Community development investments exhibit an adequate responsiveness to credit and community development needs of the area.
- The bank rarely uses innovative and/or complex investments to support community development investments.

Service Test

- The bank's delivery systems are accessible to essentially all portions of the assessment areas, including low- and moderate-income geographies.
- The bank has opened and closed several offices since the prior evaluation. To the extent changes have been made, such have generally not adversely affected the accessibility of NSB's delivery systems, particularly in low and moderate-income geographies and/or to low- or moderate-income individuals or businesses.

- Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies, businesses, or individuals.
- The bank provides a relatively high level of community development services, particularly within the Pennsylvania Non-MSA, Pittsburgh MSA, and Erie MSA assessment areas.

INSTITUTION

DESCRIPTION OF INSTITUTION

NSB is a full service banking institution, headquartered in Warren, Pennsylvania. The bank is a wholly owned subsidiary of Northwest Bancshares, Inc. (NBI), also headquartered in Warren, Pennsylvania. NSB operates eight subsidiaries which includes the following: Allegheny Services, Inc.; Boetger and Associates Inc.; Great Northwest Corporation; Northwest Financial Services, Inc.; Northwest Consumer Discount Company (NCDC); Northwest Settlement Agency; Northwest Capital Group, Inc.; and Veracity Benefit Designs, Inc. NCDC is a consumer finance company with slightly more than 50 office locations throughout Pennsylvania. In addition, the holding company operates Northwest Statutory Trust IV and Northwest Capital Trust III which have the primary purpose of issuing cumulative trust preferred securities.

NSB operates 172 offices throughout Pennsylvania (144), New York (19), Ohio (4), and Maryland (5). Of the 172 offices, 6 (3 percent) are located in low-income census tracts, 25 (15 percent) are located in moderate-income census tracts, 111 (64 percent) are located in middle-income census tracts, and 29 (17 percent) are located in upper-income census tracts. One office (1 percent) is located in a census tract in which there is a very limited number of people residing; it appears to be an industrial park based upon 2010 Dun and Bradstreet (D&B). The bank's main office is located in a middle-income census tract. Since the previous evaluation, the bank closed all three of its offices in Florida and one office in the Pittsburgh Metropolitan Statistical Area (MSA). In addition, NSB relocated four offices and opened two offices in the State of New York.

As of September 30, 2011, the bank's total assets were \$8.0 billion. Total loans equaled \$5.5 billion and represented 69 percent of total assets and 93 percent of total deposits. U.S. Government obligations and mortgage backed securities comprised the bulk of the investment portfolio, which in total represented \$1.3 billion or 15 percent of total assets. Deposit accounts totaled \$5.9 billion and represented approximately 74 percent of all liabilities and capital. The bank's net loan-to-deposit ratio calculated as of September 30, 2011, was 93 percent, and is higher than that of Uniform Bank Performance Report (UBPR) peer banks' ratio (all insured savings banks having assets greater than \$1 billion) of 82 percent.

The following table represents the distribution of the bank's loan portfolio.

Table 1 - Loan Distribution as of 09/30/2011		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	116,746	2
Secured by Farmland	544	0
1-4 Family Residential	3,439,122	62
Multi-Family (5 or more) Residential	0	0
Commercial	1,352,442	25
Total Real Estate Loans	4,908,854	89
Commercial and Industrial	364,496	7
Agricultural	0	0
Consumer	238,223	4
Loans to Governments	0	0
Other	12,469	0
Lease Financing	0	0
Less: Unearned Income	0	0
Total Loans	5,524,042	100

Source: Call Report Schedule RC-C

There are no legal or other impediments that impact the bank's ability to help meet the credit needs of the assessment areas. The bank's Tier 1 Leverage Capital ratio of 13 percent and a Return on Average Assets (ROAA) ratio of 0.84 percent as of September 30, 2011, compare favorably to the ratios of the bank's peer group during the same time period: 10 percent and 0.60 percent, respectively. Tier 1 Leverage Capital measures the level of the institution's core capital as a percentage of total assets. ROAA measures the institution's net income as a percentage of average assets.

While the bank's financial condition does not impede its ability to serve the credit needs of the assessment area, NSB does operate in a highly competitive environment. NSB is the only bank headquartered in Warren, Pennsylvania and has been successful in capturing a large segment of the home mortgage market in the State of Pennsylvania, especially within the Pennsylvania Non-MSA, Erie MSA, and Pittsburgh MSA assessment areas. The bank has also been especially successful in competing with other financial intermediaries within the Non-Metropolitan Statistical Areas (MSA) assessment area within the State of New York.

While the bank has been successful in its ability to capture a large segment of the home mortgage market, larger financial intermediaries specializing in small business lending, including credit cards, dominate the market (by number of originations). Additional specific information regarding area competition is provided later within the performance evaluation.

NSB was rated “Satisfactory” at the prior CRA evaluation performed by the FDIC as of March 29, 2010. A review of FDIC records, as well as the bank’s CRA Public File, did not reveal any complaints regarding the bank’s CRA performance since the previous evaluation. Additionally, no violations of the substantive provisions of the anti-discrimination laws and regulations were identified.

DESCRIPTION OF ASSESSMENT AREAS

Based upon the location of the offices, the bank designated 16 assessment areas throughout 45 counties within Pennsylvania, New York, Ohio, and Maryland. The bank’s assessment areas consist of 14 MSAs and 6 non-metropolitan areas. The bank’s combined 2011 assessment area consists of 2,445 census tracts. Based on 2000 U.S. Census data, 214 (9 percent) of these tracts are low-income, 469 (19 percent) are moderate-income, 1,252 (51 percent) are middle-income, and 489 (20 percent) are upper-income. This area also includes 21 (1 percent) census tracts for which no demographic data is available, which is usually the result of limited or no population. The assessment areas are in technical conformance with the CRA regulation, represent the effective lending territory of the bank, and encompass all of the bank’s offices. Since the previous evaluation, Broward County, Florida, was removed from the bank’s designated assessment areas as the bank no longer has a physical presence in this state. In July 2011, all three offices operated by NSB within the State of Florida were closed.

Of the 16 designated assessment areas, 14 are located within Pennsylvania (10 MSA and 4 non-metropolitan areas) and include 1,247 census tracts. For the purpose of this evaluation, the four non-metropolitan areas in Pennsylvania will be evaluated as one area and referred to as the Non-MSA Pennsylvania area. New York is comprised of three assessment areas (two MSAs and one non-metropolitan area) and contains 543 census tracts. Since the previous evaluation, the entire area of Niagara County, which is comprised of 59 census tracts, was added as part of the bank’s designated assessment areas because of the opening of one office in this county on September 7, 2010. Niagara County and Erie County are part of the Buffalo-Niagara Falls, New York, MSA. Erie County was part of the bank’s designated assessment areas at the prior evaluation. Maryland consists of one MSA assessment area and encompasses 540 census tracts. Ohio consists of one assessment area and includes one MSA and one non-metropolitan area (115 census tracts).

The following is a summary of the individual assessment areas.

Assessment Area #1 – Pennsylvania Non-MSA Areas

This area contains 18 counties across the State of Pennsylvania (Cameron, Clarion, Clearfield, Clinton, Crawford, Elk, Forest, Huntington, Jefferson, Juniata, Lawrence, McKean, Mifflin,

Potter, Schuylkill, Tioga, Venango, and Warren). According to 2000 U.S. Census data, the assessment area consists of 2 (1 percent) low-income census tracts, 24 (10 percent) moderate-income census tracts, 193 (83 percent) middle-income census tracts, and 14 (6 percent) upper-income census tracts. It is also important to note that all of the tracts comprising Cameron and Forest Counties and a significant number of the geographies included within Warren County are designated as distressed or underserved non-metropolitan tracts.

Assessment Area #2 – Pittsburgh, Pennsylvania MSA 38300

This area contains four counties within the Pittsburgh, Pennsylvania MSA 38300 (Allegheny, Armstrong, Butler, and Washington). According to 2000 U.S. Census data, the assessment area consists of 34 (6 percent) low-income census tracts, 121 (23 percent) moderate-income census tracts, 243 (46 percent) middle-income census tracts, and 134 (25 percent) upper-income census tracts. This area also includes one (less than 1 percent) census tract for which no demographic data is available, usually the result of limited or no population.

Assessment Area #3 – Johnstown, Pennsylvania MSA 27780

This area contains one county within the Johnstown, Pennsylvania MSA 27780 (Cambria) and seven census tracts in an adjoining Non-MSA county (Somerset). According to 2000 U.S. Census data, the assessment area consists of 2 (4 percent) low-income census tracts, 13 (23 percent) moderate-income census tracts, 34 (62 percent) middle-income census tracts, and 6 (11 percent) upper-income census tracts.

Assessment Area #4 – State College, Pennsylvania MSA 44300

This area contains all of the State College, Pennsylvania MSA 44300 (Centre County). According to 2000 U.S. Census data, the assessment area consists of 2 (6 percent) low-income census tracts, 6 (21 percent) moderate-income census tracts, 10 (35 percent) middle-income census tracts, and 10 (35 percent) upper-income census tracts. This area also includes one (3 percent) census tract for which no demographic data is available, usually the result of limited or no population.

Assessment Area #5 – Harrisburg-Carlisle, Pennsylvania MSA 25420

This area contains one county within the Harrisburg-Carlisle, Pennsylvania MSA 25420 (Dauphin). According to 2000 U.S. Census data, the assessment area consists of 5 (8 percent) low-income census tracts, 16 (27 percent) moderate-income census tracts, 30 (51 percent) middle-income census tracts, and 8 (14 percent) upper-income census tracts.

Assessment Area #6 – Erie, Pennsylvania MSA 21500

This area contains the entire Erie, Pennsylvania MSA 21500 (Erie County). According to 2000 U.S. Census data, the assessment area consists of 5 (7 percent) low-income census tracts, 14 (20 percent) moderate-income census tracts, 37 (51 percent) middle-income census tracts, and 16 (22 percent) upper-income census tracts.

Assessment Area #7 – Lancaster, Pennsylvania MSA 29540

This area contains all of the Lancaster, Pennsylvania MSA 29540 (Lancaster County). According to 2000 U.S. Census data, the assessment area consists of 5 (5 percent) low-income census tracts, 11 (12 percent) moderate-income census tracts, 71 (76 percent) middle-income census tracts, and 7 (7 percent) upper-income census tracts.

Assessment Area #8 – Lebanon, Pennsylvania MSA 30140

This area contains all of the Lebanon, Pennsylvania MSA 30140 (Lebanon County). According to 2000 U.S. Census data, the assessment area consists of 4 (14 percent) moderate-income census tracts, 21 (72 percent) middle-income census tracts, and 4 (14 percent) upper-income census tracts. This area does not contain any low-income census tracts.

Assessment Area #9 – Williamsport, Pennsylvania MSA 48700

This area contains all of the Williamsport, Pennsylvania MSA 48700 (Lycoming County). According to 2000 U.S. Census data, the assessment area consists of 6 (23 percent) moderate-income census tracts, 19 (70 percent) middle-income census tracts, and 2 (7 percent) upper-income census tracts. This area does not contain any low-income census tracts.

Assessment Area #10 – Youngstown, Ohio; Warren–Boardman, Pennsylvania MSA 49660

This area contains the all of MSA 49660 (Mercer County). According to 2000 U.S. Census data, the assessment area consists of 3 (9 percent) low-income census tracts, 7 (20 percent) moderate-income census tracts, 22 (65 percent) middle-income census tracts, and 2 (6 percent) upper-income census tracts.

Assessment Area #11 – York-Hanover, Pennsylvania MSA 49620

This area contains all of the York-Hanover, Pennsylvania MSA 49620 (York County). According to 2000 U.S. Census data, the assessment area consists of 6 (7 percent) low-income census tracts, 11 (13 percent) moderate-income census tracts, 58 (71 percent) middle-income census tracts, and 7 (9 percent) upper-income census tracts.

Assessment Area #12 – Non-MSA Areas – New York

This area contains two counties within the State of New York (Cattaraugus and Chautauqua). According to 2000 U.S. Census data, the assessment area consists of 3 (5 percent) low-income census tracts, 8 (15 percent) moderate-income census tracts, 40 (73 percent) middle-income census tracts, and 4 (7 percent) upper-income census tracts. It is also important to note that the majority of the census tracts located within Cattaraugus County (16 tracts) are designated as distressed or underserved non-metropolitan geographies.

Assessment Area #13 – Buffalo–Niagara Falls, New York MSA 15380

This area contains the two counties (Erie and Niagara Counties) that comprise MSA 15380. According to 2000 U.S. Census data, the assessment area consists of 32 (10 percent) low-income census tracts, 63 (21 percent) moderate-income census tracts, 137 (45 percent) middle-income census tracts, and 59 (20 percent) upper-income census tracts. This area also includes 11 (4 percent) census tracts for which no demographic data is available, usually the result of limited or no population.

Assessment Area #14 – Rochester, New York MSA 40380

This area contains one county within MSA 40380 (Monroe County). According to 2000 U.S. Census data, the assessment area consists of 37 (20 percent) low income census tracts, 32 (17 percent) moderate-income census tracts, 63 (34 percent) middle-income census tracts, and 51 (27 percent) upper-income census tracts. This area also includes three (2 percent) census tracts for which no demographic data is available, usually the result of limited or no population.

Assessment Area #15 – Cleveland–Elyria–Mentor, Ohio MSA 17460 and Non-MSA Areas – Ohio

This area contains two counties within MSA 17460 (Geauga and Lake) and two counties within Non-MSA areas (Ashtabula and Defiance). According to 2000 U.S. Census data, the assessment area consists of 7 (6 percent) moderate-income census tracts, 78 (68 percent) middle-income census tracts, and 30 (26 percent) upper-income census tracts. This area does not contain any low-income census tracts.

Assessment Area #16 – Baltimore–Towson, Maryland MSA 12580

This area contains four counties within MSA 12580 (Anne Arundel, Baltimore, Howard, and Baltimore City). According to 2000 U.S. Census data, the assessment area consists of 78 (15 percent) low-income census tracts, 126 (23 percent) moderate-income census tracts, 196 (36 percent) middle-income census tracts, and 135 (25 percent) upper-income census tracts. This area also includes 5 (1 percent) census tracts for which no demographic data is available, usually the result of limited or no population.

Population

The population of the bank's entire assessment area is 9.4 million. Of this population, 6 percent reside in low-income census tracts, 16 percent reside in moderate-income census tracts, 54 percent reside in middle-income census tracts, and 24 percent reside in upper-income census tracts. The 21 census tracts for which limited demographic data is available contain less than 30,000 people (0.3 percent). The assessment area is comprised of 2.5 million families and 3.7 million households. Of the total families, 5 percent, 14 percent, 56 percent, and 25 percent reside within low-, moderate-, middle-, and upper-income areas, respectively. The distribution of families according to the level of income earned reveals that 19 percent of the families are low-income, 19 percent are moderate-income, 23 percent are middle-income, and 39 percent are

upper-income. According to 2000 U.S. Census data, 8 percent of the families are below the federal poverty level. Also, 23 percent and 29 percent of the families residing within the low- and moderate-income census tracts, respectively, are below the poverty level. The distribution of households within the different income level tracts and by the income earned is similar to that of families.

Housing Stock

The housing stock within the bank's combined assessment areas total approximately 4.0 million units, of which 2.6 million (63 percent) are owner-occupied, 1.1 million (28 percent) are occupied rental units, and the remaining 350 thousand (9 percent) are vacant. The following table provides additional details with respect to the housing statistics of this area. Any additional information relative to housing data can be obtained at the U.S. Census Bureau's web site (www.census.gov).

Table 2 - Selected Housing Characteristics by Income Category of the Census Tract (CT)										
CT Income Category	Percentage							Median		
	CT	House- holds	Families	Housing Units	Owner- Occupied	Rental Units	Vacant Units	Age*	Home Value	Gross Rent**
Low	9	6	5	7	3	13	15	56	46,101	412
Moderate	19	16	14	17	12	26	23	54	60,950	490
Middle	51	55	56	54	58	47	52	40	92,678	554
Upper	20	23	25	22	27	14	10	30	159,466	712
NA	1	0	0	0	0	0	0	61	27,500	372
Total or Median	100	100	100	100	100	100	100	39	106,361	540

Source: U.S. Census, * - Owner-Occupied Units, ** - Renter-Occupied Units

Business Data

According to the 2010 business data derived from D&B, there are approximately 575 thousand non-farm businesses located in the bank's entire assessment area. While the number of non-farm businesses increased in 2011 according to D&B data, the percentage of businesses with revenues of \$1 million or less and the distribution of these businesses within the different income level census tracts did not change significantly. Approximately 75 percent of these businesses reported revenues of \$1 million or less and are therefore considered "small businesses" for the purposes of CRA. D&B data also reported that approximately 78 percent of the businesses in the assessment area reported having less than 10 employees and approximately 88 percent operate from one single location. Of the non-farm businesses, approximately 29 percent are located in low- and moderate-income census tracts.

Economic Data

Based upon information derived from Moody's Economy.com, Pennsylvania's recovery has lost momentum; however, growth experienced within the City of Pittsburgh has helped. Though Pennsylvania's fiscal problems will be a drag on future growth, the absence of large house price

declines and a manageable foreclosure pipeline set Pennsylvania apart from the nation. Over the long run, Pennsylvania will underperform the nation but remain on par with the lagging Northeast.

The largest employers, by industry within Western/Central Pennsylvania where NSB has the majority of their branches, are the University of Pittsburgh Medical Center, Pennsylvania State University, and Jefferson Health System. Despite recent struggles, health care is expected to remain an important driver in the Pennsylvania economy while manufacturing is expected to play a smaller role.

Competition

The bank operates in a highly competitive environment for home mortgage loans with numerous mortgage companies, larger regional financial institutions, and other financial intermediaries. During 2010, the bank captured slightly more than 3 percent and 2 percent by number and dollar volume, respectively, of the home mortgage market, and ranked 4th (by number) out of approximately one thousand lenders that were required to report residential mortgage loans originated within NSB's assessment areas pursuant to the Home Mortgage Disclosure Act (HMDA). Wells Fargo Bank, NA (Wells), Bank of America, N.A, and PNC Bank NA (PNC), were the top three ranked institutions with an aggregate 21 percent of the market share by number and dollar volume during the same time period. Wells captured slightly more than 10 percent of both the number and dollar volume of the home mortgage loan market during 2010.

A large number of financial intermediaries also compete for small business loans within the bank's assessment areas. Based upon information reported pursuant to CRA, approximately 200 financial intermediaries competed for small business loans. American Express Bank, FSB, (AMEX), PNC, and Chase Bank USA, NA (Chase) captured 39 and 24 percent, by number and dollar amount, respectively, of the market during 2010. It should be noted that while AMEX and Chase captured 20 percent and 8 percent of the number of small business loans originated during 2010, respectively, their aggregate percentage of market share by dollar volume totaled approximately 3 percent with the average loan amount totaling less than \$10 thousand. PNC was ranked 2nd in market share by number and actually captured the largest dollar volume in the market (21 percent). PNC's average loan amount extended during 2010 was \$105 thousand. NSB was ranked 18th by number and captured slightly greater than 1 percent and 2 percent of the market by number and dollar volume, respectively.

A substantially lower number of financial intermediaries compete for small farms within the bank's assessment areas, primarily because of less demand for loans of this nature. Specifically, only 58 financial intermediaries competed for small farm loans within the bank's assessment area during 2010. Fulton Bank, NA dominated the market with 32 percent by number and 37 percent by dollar volume of the small farm loans extended during 2010 within the assessment area. National Penn Bank was ranked 2nd with approximately half of the market share (number and dollar volume) of Fulton Bank, NA. While Capital One Bank USA, NA, was ranked 3rd third by dollar volume with 6 percent of the market, this entity captured less than 1 percent of the market by dollar volume. NSB was ranked 4th by number of loans with 5 percent of the market. The bank captured approximately 3 percent of the market by dollar amount.

Community Contacts

In conjunction with this CRA evaluation, one community contact was conducted and several others that were recently completed with organizations operating with Pennsylvania were reviewed. The purpose of these contacts was to identify potential credit needs of individuals, families, and businesses throughout the assessment areas. The one individual contacted in conjunction with this evaluation is a local business owner and member of the Chambers of Commerce within Mercer County. This individual indicated that there continues to be a need for home mortgage financing geared toward lower middle-income families. He further indicated that recent employment opportunities have impacted the county and that there is a surplus of one- to four-family residential housing on the market. A recent contact with a community group located within the Pittsburgh MSA indicated that small businesses in the area face tight credit standards at commercial banks, in part due to the economic environment. Another recent contact performed with a representative of an affordable housing organization located within the Pittsburgh MSA indicated that there was a definite need for banks to provide loans to fund affordable housing, including both short-term and permanent construction loans. The individual further indicated that in many instances bank representatives are more than willing to meet and discuss the needs of the community, but ultimately few are willing to fund needed projects.

SCOPE OF EXAMINATION

An overall CRA rating, as well as individual ratings for each state in which the bank operates, are assigned. The overall ratings assigned for the Lending, Investment, and Service Tests are displayed on the matrix on page 2 of this performance evaluation. The institution's performance under each of these tests is evaluated pursuant to the criteria specified in Appendix E of this evaluation.

NSB's lending performance was reviewed using the Large Bank CRA evaluation procedures. Per the requirements of CRA, the Lending Test is weighted more heavily than performance under the Investment or Service Tests when arriving at an overall conclusion for banks evaluated under the Large Bank CRA procedures. The currently designated assessment areas were utilized to evaluate the bank's CRA performance.

The evaluation of NSB's lending performance is based on a review of the loans reported pursuant to HMDA and CRA that were originated by the bank during 2010 and the first six months of 2011. In addition, small business loans secured by residential real estate originated during the review period were also evaluated since the bank collected information on these loans. At the bank's request, HMDA-reportable loans originated by NCDC during the review period were also evaluated. In accordance with the CRA, these loans were not considered in the evaluation of the bank's performance under the Assessment Area Concentration criterion. These loans, however, are considered under the other performance criteria of the Lending Test. Reference to HMDA-reportable loans originated by the "bank" or "NSB" includes those loans originated by NCDC except where excluded under the Assessment Area Concentration sections. Unless noted otherwise, the bank's performance by dollar volume is similar to number volume.

The institution's HMDA lending received greater emphasis than small business lending in the evaluation of its CRA performance because this product type represents the largest number and dollar volume of loans originated during the evaluation period. The bank does not originate a significant number of small farm loans in any of its assessment areas; therefore, other than reflecting this data in the Distribution of Loans Inside and Outside of the Assessment Area, limited analysis was performed on these loans. While the bank collected data for other small business loans secured by residential real estate, these loans will only be analyzed for those areas where the numbers are significant. The bank does not currently collect information on consumer loans, as these loans do not constitute a significant portion of the loan portfolio.

The bank purchased a minimal number of loans from the secondary market in 2010 (2 percent of total HMDA-reportable transactions) and no loans in 2011. Loans purchased are not significant enough to impact the bank's lending performance versus overall HMDA aggregate lending within the assessment areas; therefore, any references to originations within this evaluation will include originated and purchased loans by NSB and NCDC but aggregate data presented will only include loan originations.

In addition, lending performance within Pennsylvania is weighted more heavily than the bank's performance within Ohio, New York, and Maryland. This is based on the fact that the majority of the bank's total offices are located within Pennsylvania and the majority of HMDA-reportable, small business, small farm, and small business loans secured by real estate (collectively referred to as CRA loans throughout the performance evaluation) were extended within this state. The following table details the distribution of offices within each state as well as the percent of HMDA-reportable and CRA loans originated within each state as a percentage of total in-area lending during the 18-month review period (2010 and the six months of 2011).

Table 3 - Distribution of Offices, HMDA-reportable Loans and CRA Loans By State						
Combined Assessment Areas by State	Offices		HMDA-Reportable Loans		CRA Loans	
	#	% of #	% of #	% of \$	% of #	% of \$
Pennsylvania	144	84	90	90	91	85
New York	19	11	7	6	7	10
Maryland	5	3	2	3	1	4
Ohio	4	2	1	1	1	1
Total	172	100	100	100	100	100

A full-scope review was performed of three assessment areas in Pennsylvania (Non-MSA, Erie MSA, and Pittsburgh MSA). In addition, a full-scope review was performed for one assessment area in New York (Non-MSA area), one in Maryland (Baltimore/Towson MSA), and one in Ohio (Cleveland MSA/Non-MSA area). Limited-scope reviews were performed for the remaining assessment areas. The full-scope reviews conducted were based upon the assessment areas with the greatest percentage of offices and HMDA-reportable and CRA loan originations (as a percent of the state in which the assessment area is located).

The distribution of offices and HMDA-reportable and CRA loan originations within the assessment areas within Pennsylvania and New York are listed in Table 4 below. Since only one assessment area is located within Maryland and Ohio, the table does not reflect information for the assessment areas within these two states.

Table 4 - Distribution of Offices, HMDA-Reportable Loans, and CRA Loans By Assessment Area						
Assessment Areas	Offices		HMDA- Reportable Loans		CRA Loans	
	#	% of #	% of #	% of \$	% of #	% of \$
Non-MSA PA	60	42	36	25	50	42
Pittsburgh, PA MSA	30	21	23	32	11	16
Johnstown, PA MSA	4	3	2	2	5	4
State College, PA MSA	6	4	5	7	6	8
Harrisburg/Carlisle, PA MSA	1	1	2	3	1	1
Erie, PA MSA	21	14	19	17	17	17
Lancaster, PA MSA	7	5	4	6	3	3
Lebanon, PA MSA	5	3	4	4	2	3
Williamsport, PA MSA	1	1	1	1	2	2
Youngstown/Warren/Boardman PA-OH MSA	2	1	2	1	1	1
York/Hanover, PA MSA	7	5	2	2	2	3
Pennsylvania	144	100	100	100	100	100
Non-MSA, NY	6	32	52	51	47	37
Buffalo/Niagara Falls, NY MSA	8	42	33	35	48	56
Rochester, NY MSA	5	26	15	14	5	7
New York	19	100	100	100	100	100

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Lending Activity

NSB's lending levels reflect an adequate responsiveness to the credit needs of the assessment areas. As previously indicated, in 2010, the bank was ranked 5th in the home mortgage market and 18th in the small business market. NSB captured approximately 3 percent and slightly more than 1 percent of the HMDA-reportable and small business loans, respectively, originated within the assessment areas during this time period. The bank's percentage and ranking for these loan categories is similar to that reflected within the previous CRA Performance Evaluation; however, the bank's volume of residential lending has declined since the previous examination. During

2009, which was the most recent year shown in the prior evaluation, the bank originated approximately ten thousand HMDA-reportable loans totaling slightly more than \$1 million. As shown in Table 5, eight thousand such loans equaling close to \$900 thousand were originated in 2010.

Furthermore, the annualized number and dollar of loans of this type originated during 2011 suggests an even further decline. The decline in the bank's residential lending volume is largely attributable to the current economic environment of the areas in which the bank lends rather than a conscientious effort on management's part to reduce this type of lending. The bank's volume of small business, small farm, and small business loans secured by real estate (when the 2011 data is annualized) is similar to that reflected within the previous performance period. Overall, the lending levels remain adequate.

Assessment Area Concentration

NSB originated a substantial majority of its HMDA-reportable, small business, small farm, and other small business loans secured by real estate within the combined assessment areas over the review period. The overall percentage of these loans (by number and dollar volume) originated within the bank's assessment areas is slightly higher than that noted within the previous CRA performance evaluation. The following table illustrates the number and dollar volume of loans originated within the bank's assessment areas during the review period. As previously mentioned, only loans originated by NSB are included within the table (i.e., NCDC's lending is excluded). As was the case during the previous evaluation period, refinances comprised the most significant type of HMDA-reportable loan originations (approximately 60 percent of total home mortgage originations), followed by home purchase (30 percent), and home improvement (10 percent).

Table 5 - Distribution of Loans Inside and Outside of the Assessment Area

Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA										
2010	7,402	92	634	8	8,036	792,503	88	106,506	12	899,009
YTD 2011	2,482	94	165	6	2,647	236,950	91	22,437	9	259,387
Subtotal	9,884	93	799	7	10,683	1,029,453	89	128,943	11	1,158,396
Small Business (SB)										
2010	1229	94	75	6	1,304	147,332	91	15,315	9	162,647
YTD 2011	592	93	42	7	634	66,798	91	6,781	9	73,579
Subtotal	1,821	94	117	6	1,938	214,130	91	22,096	9	236,226
Small Farm										
2010	137	99	1	1	138	6,517	100	20	0	6,537
YTD 2011	85	97	3	3	88	6,157	96	249	4	6,404
Subtotal	222	98	4	2	226	12,674	98	269	2	12,941
SB Sec by RE										
2010	690	95	37	5	727	47,677	91	4,877	9	52,554
YTD 2011	405	97	11	3	416	22,612	94	1,518	6	24,130
Subtotal	1,095	96	48	4	1,143	70,289	92	6,395	8	76,684
Total	13,022	93	968	7	13,990	1,326,546	89	157,703	11	1,484,247

Source: HMDA and CRA Disclosure Statement (2010), HMDA LAR (1/1/11-6/30/11), and CRA data collection (2010 and 1/1/11-6/30/11)

Geographic Distribution of Loans

Overall, the geographic distribution of the reviewed loan products reflects adequate penetration throughout the assessment areas. The next four tables display the geographic distribution of the bank's home mortgage, small business, small farm, and other small business loans secured by residential real estate originated during 2010 and the first six months of 2011. Additional information regarding the bank's performance within each assessment area is provided later within the evaluation.

Home Mortgage Loans

NSB's geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment areas. Tale 6 reveals the distribution of the bank's home mortgage loans originated in 2010 and first six months of 2011 within the combined assessment areas among the different income level tracts. The distribution of owner-occupied housing units within the

different tract income levels is provided for comparison. The distribution of loans by all lenders in aggregate during 2010 within the different income level geographies is also shown. Only loans originated within the assessment areas are included.

Table 6 - Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2010		2011		Total	
			2010	#	%	#	%	#
Low	3	1		29	0	13	1	42
Moderate	12	8		521	7	178	7	699
Middle	58	52		4,870	64	1,696	67	6,566
Upper	27	39		2,173	29	637	25	2,810
\$0/NA Income	0	0		0	0	0	0	0
Total*	100	100		7,593	100	2,524	100	10,117

Source: U.S. Census, HMDA Disclosure Statements (2010), HMDA LAR (1/1/11-06/30/11), and HMDA Aggregate Data (2010)

NSB originated 29 loans within low-income geographies in 2010; however, the number of loans originated within these tracts was too small to generate a percentage. During the same time period, aggregate HMDA reporters extended 1 percent of total home mortgage loans within these tracts. During 2011, the bank originated 1 percent of total home mortgage loans within low-income tracts. As evidenced by the low percentage of owner-occupied housing units located within low-income tracts (3 percent), the opportunity to lend within these areas is somewhat limited. Considering these factors, the bank's penetration of these tracts is adequate.

During both 2010 and the first six months of 2011, the bank originated 7 percent of total home mortgage loans within moderate-income census tracts. These percentages fall below the demographic data, but are only slightly less than the 8 percent extended by aggregate HMDA reporters during 2010. As such, the bank's performance is considered adequate.

Small Business Loans

The bank's overall geographic distribution of small business loans reflects an adequate penetration throughout this assessment area. Table 7 reveals the distribution of small business loans originated during 2010 and the first six months of 2011, among the different income level census tracts. For comparison, the distribution of loans by reporting lenders in aggregate during

2010 within the different income level geographies is shown. Also, while not presented in the table, business demographic data is discussed in the paragraphs below to provide additional comparative information.

Table 7 - Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
Low	4	28	2	19	3	47	3
Moderate	11	201	16	87	15	288	16
Middle	51	819	67	405	68	1,224	67
Upper	33	181	15	81	14	262	14
\$0/NA Income	1	0	0	0	0	0	0
Total	100	1,229	100	592	100	1,821	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

NSB originated 2 percent of its small business loans within low-income geographies during 2010. This percentage is half that originated by lenders in aggregate (4 percent) and below the percentage of businesses located within these areas (5 percent). A small improvement in the percentage of loans originated within these tracts is noted for the first six months of 2011 (3 percent).

During 2010, 16 percent of total small business loans were originated by NSB within moderate-income tracts. This percentage compares favorably to the 11 percent extended by all lenders in aggregate. While the percentage of originations within these tracts declined slightly to 15 percent during 2011, the decline was minimal. Furthermore, it should be noted that only 14 percent of total businesses are situated within moderate-income areas.

Overall, the distribution of small business loans within the various income level geographies is adequate considering competition, aggregate lenders performance, and other performance criteria.

Small Farm Loans

NSB's overall geographic distribution of small farm loans reflects an excellent penetration throughout the assessment areas. Table 8 reveals the distribution of small farm loans originated during 2010 and the first six months of 2011 in the combined assessment areas among the different income level census tracts. For comparison, the distribution of loans by reporting

lenders in aggregate during 2010 within the different income level geographies is shown. Small farm lending is a negligible portion of the bank's loan portfolio (less than 1 percent). However, NSB was ranked 3rd within the Pennsylvania combined assessment areas during 2010. The vast majority (all but two small farm originations) were extended within the assessment areas located within this particular state during 2010. Furthermore, the vast majority of small farm loans originated during the first six months of 2011 were also extended within Pennsylvania. In light of the small number of small farm originations and the concentration of these credits within Pennsylvania, further discussion of such loans will be limited to the State of Pennsylvania portion of the CRA performance evaluation.

Table 8 - Distribution of Small Farm Loans by Income Category of the Census Tract							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
Low	0	0	0	0	0	0	0
Moderate	4	28	20	14	17	42	19
Middle	87	104	76	69	81	173	78
Upper	9	5	4	2	2	7	3
Total	100	137	100	85	100	222	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11), CRA Aggregate Data (2010)

Overall, the distribution of small farm loans by NSB during the review period is adequate.

Small Business Loans Secured by Residential Real Estate

NSB collected loan origination data for small business loans secured by residential real estate and requested that the data be considered in its CRA evaluation. A bank that collects this data maintains the information, but it is not submitted for central reporting purposes. Table 9 reflects the geographic distribution of these loans during 2010 and the first six months of 2011. There is no aggregate data available for this category of loans since collection of this data by financial institutions is optional and not reported. Business demographics, however, are utilized for comparative purposes. Overall, the geographic distribution of small business loans secured by residential real estate throughout the assessment area is adequate.

Table 9 - Distribution of Small Business Loans Secured by Residential Real Estate by Income Category of the Census Tract						
Census Tract Income Level	2010		2011		Total	
	#	%	#	%	#	%
Low	17	3	10	3	27	3
Moderate	83	12	50	12	133	12
Middle	462	67	276	68	738	67
Upper	125	18	69	17	194	18
\$0/NA Income	3	0	0	0	3	0
Total	690	100	405	100	1,095	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11)

NSB originated 3 percent of its small business loans secured by residential real estate within low-income geographies during both 2010 and 2011. This percentage is below the percentage of businesses located within these areas (5 percent). During the same time period, 12 percent of total small business loans secured by residential real estate were extended within moderate-income tracts. This performance also falls slightly below the 14 percent of total businesses situated within moderate-income areas. While the bank's performance within low- and moderate-income tracts falls slightly below that of demographics, it is still considered adequate.

Distressed or Underserved Non-Metropolitan Middle-Income Census Tracts

According to the most recent release from the Federal Reserve Board (June 2011), there are approximately 31 distressed or underserved non-metropolitan middle-income census tracts within the bank's combined assessment areas. All of these tracts are located either within the Non-MSA Pennsylvania or Non-MSA New York assessment areas. In regard to the Non-MSA Pennsylvania assessment area, tracts of this nature are designated within the following counties: Cameron, Forest, and Warren. In regard to the Non-MSA New York assessment area, the vast majority of the census tracts which comprise Cattaraugus County, New York, are designated as distressed/underserved. During the review period, NSB originated 644 HMDA loans totaling \$45 million to individuals within these areas. During this same time period, 168 small business loans totaling \$16 million and 106 small business loans secured by residential real estate totaling \$4 million were extended to businesses operating in these areas. This represents approximately 7 percent of the number and 5 percent of the dollar volume of all such loans originated within the bank's entire assessment areas combined, and a positive penetration of the underserved or distressed non-metropolitan areas of the bank's Non MSA Pennsylvania and Non MSA New York assessment areas.

Borrower Distribution

Given the demographics of the assessment area, the overall distributions of loans reviewed reflect an adequate penetration among retail customers of different income levels and businesses and farms of varying sizes. Tables 10 – 13 display the distribution of the bank’s home mortgage, small business, small farm, and other small business loans secured by residential real estate originated during 2010 and the first six months of 2011. Additional information regarding the bank’s performance within each assessment area is provided later within the evaluation.

Home Mortgage Loans

NSB’s distribution of home mortgage loans over the review period reflects an adequate penetration among borrowers of different income levels. Table 10 details the distribution of home mortgage loans within the assessment areas combined by the income level of the borrower. For comparative purposes, demographic data and aggregate reporting lenders’ performance during 2010 is also presented.

Table 10 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	19	7	437	6	126	5	563	6
Moderate	19	19	1,187	16	451	18	1,638	16
Middle	23	22	1,833	24	641	25	2,474	25
Upper	39	39	3,715	49	1,184	47	4,899	48
\$0/NA Income	0	13	421	5	122	5	543	5
Total	100	100	7,593	100	2,524	100	10,117	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

During 2010 and 2011, the bank originated 6 percent and 5 percent, respectively, of total home mortgage loans to low-income borrowers. The bank’s performance during 2010, is similar to that of reporting lenders in the aggregate (7 percent) during the same time period. The percentage of home mortgage loans originated to low-income borrowers by both the bank and aggregate lenders is well below demographic data which indicates that 19 percent of the families

earn income at a level considered low. Additionally, 8 percent of these families earn income at or below the poverty level and as such, may not have the ability to purchase a home and sustain a mortgage loan considering the median housing value of the assessment area.

During 2010, the bank originated 16 percent of total home mortgage loans to moderate-income borrowers. During the same time period, reporting lenders in the aggregate originated 19 percent of total home mortgage loans to individuals earning income at this level. Improvement was noted within the percentage of loans originated to moderate-income borrowers during 2011 (18 percent).

Small Business Loans

Given the demographics of the assessment area, the overall distribution of small business loans to businesses of varying sizes within the assessment areas reflects an adequate penetration among businesses of different sizes. A review of the distribution of these loans by gross annual revenues (GARs) of the business and loan size, which is used as a proxy for the size of the business being financed, was conducted. Tables 11 and 12 provide these distributions. For comparison purposes, aggregate reporting lenders' performance for 2010 is provided within the tables.

While not presented within the tables, D&B information was reviewed and indicates that approximately 75 percent of the businesses within the assessment areas reported revenues of \$1 million or less. A further breakdown shows that of these businesses, 70 percent earn revenues of \$500 thousand or less. D&B does not provide a more detailed breakdown of this data and therefore a more detailed comparison is not possible.

Table 11 - Distribution of Small Business Loans by GARs of Business							
GARs (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$1,000	37	1,019	83	581	98	1,600	88
> \$1,000 or NA	63	210	17	11	2	221	12
Total	100	1,229	100	592	100	1,821	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

As shown above, 83 percent of the small business loans extended during 2010 were to businesses earning GARs of \$1 million or less. This percentage significantly exceeds the 37 percent reflected for aggregate reporting lenders during the same time period. Furthermore, the percentage of loans originated to businesses earning this revenue level increased to 98 percent in

2011. As mentioned above, 75 percent of the businesses located within the assessment area earn income of \$1 million or less. The bank's performance compares favorably to the demographic data.

Table 12 - Distribution of Small Business Loans by Loan Size							
Loan Size (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$100	89	813	66	402	68	1,215	67
> \$100 ≤ \$250	6	274	22	126	21	400	22
> \$250 ≤ \$1,000	5	142	12	64	11	206	11
Total	90	1,229	100	592	100	1,821	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), CRA Aggregate Data (2010)

As previously indicated, a review of the bank's small business lending using the loan amount at origination, as a proxy for the size of the business financed, was also conducted. As shown in Table 12, the majority of the bank's small business loans extended during 2010 and 2011, were in the smallest loan category (\$100 thousand or less). The percentage of loans originated by NSB within this category increased slightly from 2010 (66 percent) to 2011 (68 percent). The bank's level of lending to very small businesses is below the 89 percent extended by aggregate reporting lenders. As previously indicated, however, numerous other financial intermediaries operate within the bank's assessment area. Two of the top three market share holders (by number of originations) are AMEX and Chase. The average loan amount originated by these entities during 2010 was less than \$10 thousand, which indicates that these loans are most likely small business credit cards. Although NSB offers a business credit card product, the volume of lending is minimal and represents a small percentage of the bank's small business loans. NSB's average loan amount was \$113 thousand during 2010, indicating more traditional business credit. In view of the bank's size and resources, the above information is a good reflection of the bank's commitment to the business communities within its designated assessment areas.

Also, the bank's small business lending compares very favorably to business demographics. As previously mentioned, 70 percent of the businesses earn revenues of \$500 thousand or less. Over the 18-month review period, 89 percent of the business loans were in amounts of \$250 thousand or less, an even smaller amount. In view of all relevant data, the bank's performance relative to loan size and business revenue distribution is adequate.

Small Farm Loans

The bank's overall distribution of small farm loans reflects an adequate penetration among farm businesses of different sizes. A review of the distribution of small farm loans originated during 2010 and the first six months of 2011, was conducted by GARs of the farm business as well as loan size. Loan size is used as a proxy for the size of the farm business being financed. For comparison purposes, aggregate reporting lenders' performance for 2010 is provided. As previously indicated, this type of lending does not comprise a significant amount of the bank's overall loan portfolio or total originations, and therefore, the discussion presented is brief.

Table 13 - Distribution of Small Farm Loans by Loan Size							
Loan Size (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$100	77	118	86	67	79	185	83
> \$100 ≤ \$250	14	18	13	12	14	30	14
> \$250 ≤ \$1,000	9	1	1	6	7	7	3
Total	100	137	100	85	100	222	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

As shown in Table 13, the percentage of loans originated by the bank during 2010 within the small loan category compares favorably to that of lenders reporting in the aggregate. While the percentage of loans within this category declined to 79 percent in 2011, the bank's overall performance is still considered adequate.

Small Business Loans Secured by Residential Real Estate

The distribution of the small business loans secured by residential real estate, given the product lines offered, reflects an adequate penetration among businesses of different sizes. As previously discussed, NSB collects loan origination data for small business loans secured by residential real estate and requested that the data be considered in this CRA evaluation. NSB collected this information for 2010 and 2011. There is no aggregate data available for this category of loans since collection of this type of loan data by financial institutions is optional and not reportable. Demographic data published by D&B data is used for comparison purposes.

In order to evaluate the bank's level of small business loans secured by residential real estate to various sized businesses, a review of the revenue size of the businesses receiving the loan was conducted. Also, an institution's small business lending can be assessed by the dollar amount of the loan, which is used as a proxy for the size of the business. This proxy is based on the

premise that small- and medium-sized businesses typically require smaller loan amounts than do large businesses. Accordingly, small business loans in amounts of \$100 thousand or less are reasonably presumed to be extended to the smallest of businesses.

Table 14 - Distribution of Small Business Loans Secured by Residential Real Estate by GARs of Business						
GARs (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$1,000	529	77	358	88	887	81
> \$1,000 or NA	161	23	47	12	208	19
Total	690	100	405	100	1,095	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

The percentages of small business loans secured by residential real estate to businesses with GARs of \$1 million or less during 2010 and 2011 were 77 percent and 88 percent, respectively. This shows an improvement during the review period.

Table 15 - Distribution of Small Business Loans Secured by Residential Real Estate by Loan Size						
Loan Size (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$100	592	86	352	87	944	86
> \$100 ≤ \$250	57	8	40	10	97	9
> \$250 ≤ \$1,000	41	6	13	3	54	5
Total	690	100	405	100	1,095	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

During the review period, a combined 86 percent of the small business loans secured by residential real estate were in amounts of \$100 thousand or less. An additional 9 percent of loans extended during 2010 and 2011 combined were made in amounts of \$100 thousand to \$250 thousand. As previously mentioned, 70 percent of the businesses in the assessment areas earn revenues of \$500 thousand or less. Because the majority of the bank's loans in this category are for less than \$250 thousand, this indicates that NSB has shown adequate responsiveness to small business credit needs in the assessment areas.

Community Development Lending

The institution's community development lending activities are evaluated pursuant to the criteria specified in Appendix E. Overall, NSB has made a relatively high number of community development loans during the evaluation period. The bank originated 35 community development loans totaling \$15,050,000 during the 18-month review period. During the previous evaluation, the bank extended 66 loans totaling 24 million (an approximate three-year period).

Many of these community development loans are lines of credits (LOCs) to various non-profit entities, with the funds used as an interim financing mechanism while the entity awaits reimbursement from the federal, state, or local government agencies that subsidizes the respective non-profit organization. A number of the loans are made in underserved or distressed middle-income census tracts. The loans made in these areas that directly target low- or moderate-income individuals received the greatest weight than those made in the underserved or distressed areas that did not specifically target these individuals. A brief discussion of several of the larger community development loans originated during the review period is listed below. The percentage distribution of these loans within each state the bank operates as well as within each MSA and Non-MSA assessment area is provided under the appropriate area.

2010

Pennsylvania Non-MSA

The bank originated 4 automobile loans totaling approximately **\$61 thousand** to a development corporation in Clearfield, Pennsylvania. The purposes of the loans were to purchase vehicles that will be used primarily for transportation relating to the Pennsylvania Weatherization Program. This federally funded program aims to reduce the energy bills of low-income families and individuals. The assistance is primarily targeted towards high energy users as well as low-income, elderly, and disabled individuals. The program helps fund the costs charged by contractors to install free energy efficient improvements to the homes of lower-income individuals.

The bank renewed 2 separate LOC totaling an aggregate **\$2 million** to a redevelopment authority in the Pennsylvania Non-MSA assessment area. The redevelopment authority is instrumental in promoting commercial and industrial development and has brought government, public, private, and financial institutions together to accomplish this goal. The redevelopment authority assists businesses with its Enterprise Zone Revolving Loan Fund. The redevelopment authority efforts helped with environmental remediation of a Brownfield site. The organization has also successfully completed numerous other renovation projects using various sources of funding. The purposes of the LOCs are to fund renovation and remodeling costs for current and future new business tenants in an industrial park located in an Enterprise Zone. Efforts have already been successful in the creation and retention of many jobs, which benefit all area residents, including low- and moderate-income individuals.

A **\$1 million** loan was extended to a community development organization within the Pennsylvania Non-MSA assessment area in the second quarter of 2010. The purpose of the loan was to fund the construction of a new municipal building and police department. The following are examples of the services offered by this organization: public safety, highways, sanitation, water, sewer, public improvements, and general administration services. The organization primarily services distressed middle-income census tracts. While the services offered by the community development organizations are not targeted specifically at low- or moderate-income individuals within these areas, these individuals do benefit from the services provided.

The bank originated a **\$250 thousand** short term note (90 days) to a local transit authority to help cover cost associated with a construction project, due to delays in the authority receiving reimbursement from grants administered by the State of Pennsylvania. The loan was granted at the end of 2010. The authority provides affordable transportation to individuals that primarily reside within distressed non-metropolitan middle-income areas. The authority's operation funding primarily comes from the Federal Transit Administration, Pennsylvania Department of Transportation, and Pennsylvania Department of Public Welfare. The area in which this transportation is provided is very rural in nature. The authority provides essential transportation services to lower-income individuals who are unable to support the costs associated with owning an automobile and the elderly or ill. In June 2010, a new **\$1 million LOC** to this authority was extended to provide additional interim funding for payments to contractors.

The bank granted a **\$600 thousand** LOC to fund the much needed expansion of water lines in a moderate-income tract in Crawford County. The funds were provided to a non-profit economic development corporation.

Pittsburgh MSA

A **\$400 thousand** loan was extended to a non-profit community housing developer in the Pittsburgh MSA. The loan proceeds fund the construction of three houses in McKeesport, Pennsylvania, for low- or moderate-income individuals.

Five loans totaling **\$579 thousand** were extended to two non-profit organizations that provide residential, vocational, and day support services to individuals with mental disabilities in the Pittsburgh MSA. The majority of the clients consist of lower-income individuals that reside in group homes or family living arrangements with paid contractors.

Erie MSA

Two LOCs were extended by the bank in amounts of **\$2 million and \$250 thousand** to a redevelopment authority in the Erie MSA. The \$2 million loan is being made in conjunction with an initiative by the redevelopment authority to develop a \$50 million urban improvement project to include condominiums, multi-use buildings, a parking garage, and a park in a low-income census tract in downtown Erie, Pennsylvania. The project will ultimately be funded by a grant from the State of Pennsylvania; however, the \$2 million LOC is to fund any gaps. The \$250 thousand LOC will be utilized to fund costs associated with construction of two homes in

the City of Erie in a low-income census tract. A Neighborhood Stabilization Program Grant (NSP) is also being used to construct these homes

Two loans totaling an aggregate of **\$14 thousand** were extended to two community development organizations that provided social services targeted primarily at lower-income individuals and families.

Buffalo-Niagara MSA

A **\$1 million** working capital LOC was extended to a community development organization that provides services within the Buffalo-Niagara New York, MSA. This entity provides programs that promote efforts to help overcome the injustices of poverty, to train area residents about disaster recovery in order to build a team of on-call trained responders who are ready to immediately help, and to provide food to the hungry.

Ohio MSA and Non-MSA

The bank extended an **\$800 thousand** loan to a privately-owned non-profit organization in September 2010. The loan proceeds were used to construct an eight resident group home in Ashtabula County, Ohio. The group home is for mentally ill individuals. Resident revenue is 100 percent covered from Medicaid reimbursement. The majority of the residents are considered lower-income.

2011

During 2011, the bank originated 12 community development loans totaling \$11 million. The following provide specific information regarding these community development loans.

Pennsylvania Non-MSA

The bank originated a **\$475 thousand** LOC to an economic development corporation to provide bridge financing until grant funds are received. The project being financed is to fund improvements to a 350 acre industrial park. The entire industrial park is located in a Keystone Opportunity Zone (KOZ). The goal of the KOZ program is to encourage investment in distressed areas by providing businesses relief from many local and state taxes.

Pittsburgh MSA

Two loans totaling **\$186 thousand** were extended to a non-profit organization that provides residential, vocational, and day support services to individuals with mental disabilities. The majority of clients consist of lower-income individuals who reside in group homes or family living arrangements with paid contractors.

State College MSA

A **\$25 thousand** LOC was extended to an adult daycare center for the mentally and physically challenged. The majority of the individuals that utilize the center are lower-income.

Erie MSA

NSB helped ensure the construction of a new hospital in a rural moderate-income area of the Erie MSA. The new hospital will replace the current 58 year old facility which is in need of numerous improvements in order to meet required codes. Furthermore, the current hospital site is restrictive in size to accommodate the necessary expansions that are planned. NSB's role in the project is to provide a \$12 million standby letter of credit as required by the United State Development Agency (USDA) Community Facility Program. The primary source of funding for the construction is debt financing issued by the hospital in the form of USDA guaranteed bonds. The bonds are funded in cooperation with the USDA Rural Development. The USDA Rural Development is committed to helping improve the economy and quality of life in rural America. This organizations financial programs support such essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities and electric and telephone service. The bank extended a **\$1 million** operating LOC to a local hospital located within a moderate-income tract within the Erie MSA for operating expenses.

A **\$300 thousand** LOC was granted to a redevelopment authority to fund project costs until grant monies are received. The funds will help rehabilitate several properties located in downtown Corry, Pennsylvania (a moderate-income area). The properties were vacant prior to the bank funding this project. The businesses that will occupy these locations are required to participate in a small business incubator program. Additionally, the local redevelopment authority will offer low-cost flexible leases to occupying businesses.

NSB granted two separate loans to a non-profit community development organization located in downtown Erie, Pennsylvania, totaling **\$175 thousand**. The funds are to finance operating expenses to an inner city daycare. The daycare is located in a lower-income of Erie and the majority of the clients are low- or moderate-income.

Buffalo-Niagara MSA

A **\$4.5 million** community development loan was extended to a local housing partnership to refinance the existing mortgage on the property. The original loan financed the purchase of a low-income government subsidized housing project for senior citizens. The property contains 138 residential units and 7 commercial units.

Ohio MSA and Non-MSA

A **\$20 thousand** loan was extended to an adult mentally-ill group home organization for the purpose of purchasing a handicap accessible vehicle that will be used to transport clients of the organization. The majority of the clients are lower-income.

Innovative and Flexible Lending Practices

The institution's innovative and flexible lending practices are evaluated pursuant to the criteria specified in Appendix E of this CRA performance evaluation. NSB makes little use of innovative and flexible lending practices in order to serve the assessment area credit needs. The bank continues to offer a number of the flexible and/or innovative programs detailed in the March 2010 CRA Performance Evaluation (e.g., Banking on Business, First Front Door, etc...); however, no loans were originated under any of these programs since the previous evaluation and therefore, such are not detailed within this evaluation. The following details the loan programs offered by the bank for which funds were extended since the previous evaluation, as well as the programs the bank became involved with since the prior evaluation period.

The bank's participates in the **Federal Housing Administration (FHA)** program, which provides for guarantees of 100 percent, as well as a qualifying debt-to-income (DTI) ratio of 41 percent or lower. Due in part to the bank's market and lending strategy, this program is one of the bank's most successful flexible lending practices. Since the previous evaluation, the bank originated 37 loans totaling \$4.2 million under this program. Other government guaranteed programs in which the bank participates are the **Veterans Administration (VA)** and **Farm Service Agency and Rural Housing Service (FSA/RHS)** mortgage programs. A total of 23 VA loans totaling \$2.6 million were originated since the last evaluation. Four loans totaling \$307 thousand were originated under the FSA/RHS mortgage programs.

The bank continues to be involved with the **City of Johnstown's Affordable Housing Program**. Since the previous evaluation, three loans totaling close to \$100 thousand were originated by NSB under this particular program. This program is targeted toward low- and moderate-income residents of the City of Johnstown, Pennsylvania, which is located within the Johnstown MSA assessment area. Several of the positive features of this program include a reduced interest rate, title insurance discount, and deferred payments of up to four months.

Zoey Meadows is a 50-unit affordable housing project in Erie, Pennsylvania, which is located within the Erie MSA assessment area. The Federal Home Loan Bank (FHLB) and the Pennsylvania Housing Finance Authority (PHFA) were originally responsible for handling the financing of the units. In September 2006, the bank assumed the Affordable Housing Funds from the FHLB and began making loans through the PHFA at the end of that year. As part of the program, the application and processing fees are waived by the bank and the allowable DTI ratio is similar to that required by the FHA. During the current evaluation period, one loan totaling \$73 thousand was originated under this program.

The County of Lebanon First Time Homebuyers Program is targeted toward low- and moderate-income families and individuals residing in Lebanon County (excluding the City of Lebanon), which is located within the Lebanon MSA assessment area. Down payment assistance of up to 17 percent of the sales price is provided through county funding. As part of the program, NSB provides the remaining necessary funds in the form of a loan and waives the loan processing fee. However, customers are required to provide a 3 percent down payment with their own funds. NSB originated two loans totaling \$184 thousand under this program during the evaluation period.

In August 2011, the bank became involved in the **Baltimore County Small Business Loan Fund (BCSBLF)**. The BCSBLF was established in late 1996, to provide financial assistance to businesses that operate in Baltimore County which is included within the Baltimore/Towson MSA assessment area. The program focuses on the commercial revitalization districts and enterprise zones located within Baltimore County. The program provides subordinated debt on projects when a company does not have the cash equity or collateral required by traditional lenders. As a participant in the program, a bank must be the first lender on a project. The borrower is required to make at least a 10 percent cash equity contribution toward the project cost. Proceeds of the loan are to be used for acquiring or improving real estate and/or purchasing equipment. The maximum loan amount that a business can receive from the fund is currently \$500 thousand. The maximum term is 15 years, with a 20-year amortization period. The exposure to any one bank is limited to their percentage in the fund. In 2011, NSB committed \$500 thousand to this program, of which \$131 thousand has been extended.

The bank is also involved in the **Treasury of the State of Ohio GrowNOW program (GrowNOW)**. NSB works in cooperation with the Ohio Treasury to offer small business owners loan funds at a reduced interest rate. A feature of this program includes a 3 percent interest rate reduction when the funds are used to create or retain jobs in the State of Ohio. A number of criteria must be met in order for a business to qualify for funding under this program. Specifically, the business must: employ 150 or less people; be headquartered in Ohio; maintain offices and operating facilities in Ohio; employ primarily Ohio residents; be organized for profit; and save or create jobs. Furthermore, small business owners must commit to the creation or retention of at least one full-time or two part-time jobs in the State of Ohio for every \$50 thousand borrowed. Since January 2010, this program has helped retain or create approximately six thousand jobs in the State of Ohio. The GrowNow program broadly serves as a catalyst for Ohio's economic development by supporting small businesses. No new loans were originated under this program by NSB; however, two previously originated loans remain outstanding.

Small Dollar Loan Programs

Although NSB does not offer any formal small dollar loan programs, it has implemented several loan offerings that are outside the normal credit parameters of the bank's loan policy and are responsive to the credit needs of the community. Many of these loans are provided to borrowers for the purchase of low-cost used automobiles or other small purchases such as home appliances. Short term loans are also available which help individuals fund various emergency personal expenses. In most cases, the loans are granted for less than \$1 thousand and for a term of three years or less. During the evaluation period, the bank originated 252 such loans totaling approximately \$203 thousand. These loans are consumer non-real estate related loans and are not included in any other portions of this CRA performance evaluation.

INVESTMENT TEST

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment areas through its use of qualified investments that benefit the assessment areas or a broader statewide or regional area that includes the assessment areas. Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the criteria specified in Appendix E.

NSB has an adequate level of qualified CD investments and grants given the bank's office locations, size, and capacity to invest and opportunity to investment. None of the qualified investments are particularly innovative or complex. All qualified investments and donations directly benefit the assessment areas. Direct monetary contribution over the approximate year and a half review period, equaled **\$510 thousand**. New qualified investments equaled **\$3.9 million**. Investments made during prior evaluation periods that remain on the bank's books total **\$18.5 million**, and are comprised almost entirely of FNMA mortgage-backed securities backed by loans to low- and moderate-income families throughout the assessment areas.

The bank's level of investment has declined since the prior evaluation. While the review period is often similar from one evaluation to another, this is not the current situation. It has only been approximately 18 months since the bank's previous evaluation compared to the approximately 36 months NSB had to initiate the investments reflected in the March 2010 CRA Performance Evaluation. Consequently, it is not unexpected that the level of qualified investments and donations made since the prior evaluation is below that of the previous review period. However, continued qualified investment activity at the bank's current level will be reflective of a decline in qualified investment activity in the future. The level of qualified donations, if continued at the bank's current pace, will be comparable to that reflected within the prior evaluation.

Specific information regarding the qualified investments and donations is provided below as well as within the Investment Test section of the performance evaluation that specifically relates to each particular state, MSA, and Non-MSA area included within the bank's assessment area.

In June 2010, the bank purchased a Federal National Mortgage Association (FNMA) mortgage-backed security for a total amount of **\$3.9 million**. This security is backed by mortgages provided to low- and moderate-income borrowers located within the MSA areas of Harrisburg, Lancaster, York, Pittsburgh, and State College, as well as within the Non-MSA areas of the state.

A donation of approximately **\$80 thousand** was provided to the 2nd Harvest Food Bank in 2010. This organization serves various counties within the Pennsylvania Non-MSA and Erie MSA assessment areas and help provide food to lower-income and poverty stricken individuals.

The bank provided a total of **\$50 thousand** to the Warren County Development Association (WCDA), which helps promote economic development within the county. The vast majority of Warren County is designated as distressed or underserved non-metropolitan tracts.

A total of **\$12 thousand** was provided to the following two community development organizations located within the Pittsburgh MSA assessment area during 2010: Pittsburgh Community Reinvestment Group (PCRG), and Butler Housing Scholarship (BHS). PCRG is a coalition of nonprofit community based organizations are dedicated to the revitalization of urban neighborhoods. The BHS program helps provide scholarships to lower-income individuals residing in Butler County Housing Authority housing.

The bank provided an approximate **\$3 thousand** donation to the American Dream Housing Fund (ADHF) in 2010. This endowment fund was established to help low- and moderate-income workers attain down payment and closing cost funds. This donation benefits the State College MSA assessment area.

The bank committed to provide **\$30 thousand** to the Erie City Mission (ECM) over a three-year period in 2009. Since the previous evaluation, a total of **\$20 thousand** was provided to this entity. The Erie City Mission is a Christian social outreach program created in 1911 and is located within the City of Erie, Pennsylvania. Numerous programs are provided by this entity with a majority of such primarily targeted toward providing food, clothing, and other essential items to individuals in financial distress.

Approximately **\$6 thousand** in donations were provided to the St. Martin Center, located within the Erie MSA. This community development non-profit organization provides various programs, including housing education. The housing education is provided to individuals who wish to improve their current conditions through home ownership opportunities. The program is certified by the U.S. Department of Housing and Urban Development (HUD) and the staff is trained by the Pennsylvania Housing Finance Agency (PHFA). A vast majority of the individuals helped by this organization are low-income residences.

In 2011, NSB provided a **\$2 thousand** donation to Housing and Neighborhood Development Services (HANDS). HANDS is a community development organization located within the Erie MSA assessment area that is committed to improving communities through the development and management of qualified affordable housing. In addition to new construction of affordable housing, HANDS has a tradition of rehabilitating affordable housing.

The bank donated a total of **\$10 thousand** to Lancaster Housing Opportunity Partnership (LHOP) in 2010 and 2011. LHOP helps expand affordable housing opportunities for residents throughout Lancaster City and County. This is accomplished by providing home buyer training, closing cost loans, development-incentive loans to produce affordable housing, development support grants and loans to non-profit housing developer, and community awareness education and advocacy.

A total of **\$150 thousand** in donations were provided to the Crispus Attucks Association (Crispus) which provides various services to residence in the York, Pennsylvania, MSA assessment area. Some of the services offered by Crispus include early learning daycare, low-income housing, a senior center, and employment and career training. The funds provided by the bank were specifically to finance improvement efforts of the low- and moderate-income areas of York County.

The bank donated a total of **\$5 thousand** to the Housing Alliance of Pennsylvania (HAP). HAP is a statewide coalition working to provide leadership and a common voice for policies, practices and resources to ensure that all Pennsylvanians, especially those with low incomes, have access to safe, decent and affordable homes. The bank's donation benefited Dauphin County which is located within the Harrisburg MSA assessment area

A total of **\$35 thousand** was provided to Habitats for Humanity (HFHs) located within State College and Lebanon MSA assessment areas within Pennsylvania, Non-MSA assessment area of New York, and Baltimore/Towson MSA within Maryland. HFHs are non-profit organizations that help eliminate poverty housing and homelessness by working together with area residents and in partnership with the families in need by building houses.

A total of **\$15 thousand** was provided to NeighborWorks of Western Pennsylvania (NeighborWorks) and of Rochester, New York. NeighborWorks is a non-profit organization with the mission of financial empowerment that promotes homeownership and stable communities. NeighborWorks in Western Pennsylvania provides services throughout that area while NeighborWorks of Rochester serves the City of Rochester as well as Monroe County. NeighborWorks offers free counseling, homebuyer education and financial literacy courses designed to help individuals and families achieve their dreams. For over 40 years, NeighborWorks has created opportunities by collaborating with residents, businesses, and non-profit and government partners in the development and revitalization of neighborhoods.

In 2011, the bank donated **\$5 thousand** to the Chautauqua Home Rehabilitation and Improvement Corporation (CHRIC). This entity is located within the Non-MSA New York assessment area. CHRIC helps low- and moderate-income residents of Chautauqua County repair and maintain their homes. CHRIC also offers other types of programs that: help individuals purchase their first home; provide foreclosure prevention and reverse mortgage counseling; and create loan programs designed for work-related transportation expenses.

SERVICE TEST

The service test evaluates the institution's record of helping to meet the credit needs of its assessment areas by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking and community development services are evaluated pursuant to the criteria specified in Appendix E.

The bank's retail delivery systems are accessible to essentially all portions of the bank's assessment areas, including low- and moderate-income census tracts. To the extent changes have been made, the institution's record of opening and closing of branches has generally not adversely affected the accessibility of its delivery systems to low- and moderate-income individuals, businesses, or geographies. Since the previous evaluation, the bank closed all of its office locations in the State of Florida; the bank's removal of its physical presence in this state was not detrimental to the provision of necessary credit and services to area residents and businesses. Numerous other financial institutions service this particular area. Furthermore, all of the offices closed were within middle- or upper-income tracts. One additional office was closed

within an upper-income tract within the Pittsburgh MSA. Also, two offices were opened within the State of New York since the previous evaluation. Business hours are consistent with those of other financial institutions within the states that it operates and do not vary in a way that inconvenience certain portions of the assessment area, particularly low- and moderate-income individuals, businesses, or geographies. The bank provides a relatively high level of community development services.

Retail Delivery Systems

The bank's retail delivery systems are accessible to essentially all portions of the bank's assessment area, including low- and moderate-income geographies. NSB operates 172 full service branches throughout four states. Of these branches, 144 are located within Pennsylvania, 19 in New York, 5 in Maryland, and 4 in the State of Ohio. The geographic distribution of the bank branches is detailed in Table 16.

Table 16 - Distribution of Bank Offices by Income Category of the Census Tract				
Census Tract Income Category	Census Tracts in Assessment Area		Bank Offices by Tract Location	
	#	%	#	%
Low	214	9	6	3
Moderate	469	19	25	15
Middle	1,252	51	111	64
Upper	489	20	29	17
\$0/NA Income	21	1	1	1
Total	2,445	100	172	100

Source: U.S. Census, Bank Files

Alternative Delivery Systems

NSB operates automated teller machines (ATMs) at the vast majority of the bank's offices, as well as non-deposit taking remote ATMs. In total, the bank operates approximately 300 ATMs throughout the bank's assessment areas.

Drive-up teller facilities are provided at the majority of branch offices. Many offices also have night depository facilities for business customers to safely and conveniently make deposits. The bank also offers a "Check Card" that provides customers access to their checking accounts from ATMs. The bank offers toll-free telephone banking services to all customers, which can be

accessed 24 hours a day, 7 days a week. The system allows bank customers to check account balances, transfer funds between accounts, make loan payments, confirm deposits and withdrawals, obtain current interest rate information on deposit products, and various other services.

NSB maintains a website at www.northwestsavingsbank.com. This website allows customers to perform various transactions, including the ability to pay bills, review account histories, and apply for loans 24 hours a day, seven days a week. Additionally, the website provides information on deposit and loan products, branch and ATM locations, and “Northwest News,” which includes branch opening announcements.

The website also includes a “Resource Center” with consumer alerts on various fraud or financial scams, security tips on identity theft, and actions to take if a checkbook, ATM, Check or Credit Card is lost or stolen. This website allows for e-mail correspondence, and financial calculators are also provided.

Changes in Branch Locations

The bank’s record of opening and closing branch offices generally has not adversely affected the accessibility of the bank’s delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals and businesses

Since the previous evaluation, NSB opened 2 offices, closed 4 offices, and relocated 4 offices. Both offices opened were in the State of New York, with one located in a middle-income tract and one within an upper-income tract. Of the offices closed, one was within a middle-income tract and three were located within upper-income geographies. Three of the closings occurred on June 30, 2011, when the bank closed all of its offices located within the State of Florida. The other office closed was located within the Pittsburgh MSA. None of the relocations resulted in a change in the branch distribution among the different income level census tracts. Changes in branch locations for each individual state and assessment area are discussed further within this evaluation.

The bank operates under a Branch Closing Policy that identifies the factors that management will analyze prior to closing a branch office.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Business hours and services throughout all of the assessment areas are reasonable and do not vary in a way that inconveniences certain portions of the bank’s assessment areas, particularly low- and moderate-income geographies and individuals. Regular banking hours are generally from 9:00 a.m. to 4:00 p.m., with some branch offices offering extended hours during the week until 5:00 p.m. or 6:00 p.m. Additionally, many of the branches offer extended evening hours on Friday. Most of the offices also offer Saturday hours, which are generally from 9:00 a.m. to 12:00 noon. Management reviews the bank’s business hours on an ongoing basis.

All of the bank's offices offer standardized banking products and services. A sample of the loan products available throughout the bank's assessment area includes conventional one-to-four family first lien mortgage loans (fixed and variable rate, bi-weekly, and construction), home equity loans (closed and open-end), consumer installment loans, guaranteed student loans, VA and FHA loans, and commercial loans.

The bank also offers standardized deposit products and services. The following are examples of the deposit products and services offered: regular, interest bearing and business checking; passbook and statement savings; Christmas and vacation clubs; certificates of deposit; individual retirement accounts (IRAs); safe deposit boxes; money orders; traveler's checks; cashiers checks; wire transfers; and night depository boxes.

The bank also offers non-deposit products through its subsidiary, Northwest Financial Services.

Community Development Services

A community development service is defined as a service that has as its primary purpose community development. It must also be related to the provision of financial services and not considered under the evaluation of the bank's retail lending services.

The bank provides a relatively high level of community development services throughout the assessment areas. Various Board of Director (Board) members and bank personnel provide financial services to organizations that promote community development throughout the bank's assessment areas. Specific community development services with which bank personnel are involved are detailed within the respective assessment area sections further in this evaluation.

In addition, NSB also services residential mortgage loans for several chapters of Habitat for Humanity throughout the several states in which it serves. In this capacity, the bank services numerous loans.

DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

During a consumer compliance examination conducted concurrently with this evaluation, the bank's compliance with laws and regulations prohibiting discrimination and other illegal credit practices was assessed. No evidence of prohibited or illegal credit practices was found.

STATE OF PENNSYLVANIA

CRA RATING FOR PENNSYLVANIA¹:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Satisfactory

Low Satisfactory

Low Satisfactory

High Satisfactory

The bank's CRA performance within Pennsylvania is similar to that overall. A significant majority of the bank's overall lending activities and office facilities are within Pennsylvania. Detailed information relating to such was previously provided in table format under the Description of the Assessment Areas section of this CRA performance evaluation.

SCOPE OF EXAMINATION

A detailed explanation of the Scope of the Examination was provided earlier within this CRA performance evaluation. The products and time period indicated within the previously provided scope is applicable, with the exception that only loans, qualified investment, and community development services originated, made, or provided within Pennsylvania are considered. As previously mentioned, small farm loans comprise a minimal portion of the total loan portfolio. The vast majority of the small farm loans originated during the review period is within Pennsylvania and the bank's performance regarding this loan product within the state is similar to the performance within the total combined assessment areas. Therefore, further presentation of these loans is not included within any of the individual state, MSA, or Non-MSA write-ups.

As noted earlier, the bank designated 14 assessment areas (10 MSAs and 4 Non-MSA areas) within Pennsylvania. For purposes of this evaluation, the four Non-MSA areas were combined into one assessment area (Non-MSA PA). A full-scope review was performed for the following three assessment areas within Pennsylvania: Non-MSA; Pittsburgh MSA; and Erie MSA. The assessment areas with the most significant loan volume and number of offices were weighted the greatest when determining whether to perform a full or limited scope review. Specific information relating to the percent of the reviewed loans and offices located within each particular assessment area located within Pennsylvania was provided earlier under the Description of the Assessment Areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN PENNSYLVANIA

The bank's Pennsylvania assessment areas consist of 1,247 census tracts and encompasses 32 counties either partially or in their entirety. Of the 1,247 tracts, 64 (5 percent) are low-income, 233 (19 percent) are moderate-income, 738 (59 percent) are middle-income, and 210 (17 percent) are upper-income. This area also includes 2 (less than 1 percent) census tracts for which no demographic data is available, which is usually the result of limited or no population.

¹For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

The population, families, and households of the Pennsylvania assessment area are 4.7 million, 1.2 million, and 1.9 million, respectively. Of the total population, 3 percent reside in low-income census tracts, 14 percent reside in moderate-income census tracts, 64 percent reside in middle-income census tracts, and 19 percent reside in upper-income census tracts. The 2 census tracts for which limited demographic data is available contain an insignificant percentage of the population of the assessment area. The distribution of families and households within the different income level census tracts is similar to that of the population distribution. The distribution of families according to the level of income earned by the family indicates that 18 percent are low-income, 19 percent are moderate-income, 24 percent are middle-income, and 39 percent are upper-income. According to the 2000 U.S. Census (Census) data, approximately 7 percent of the families within the assessment area are below the federal poverty level. The distribution of households is similar.

The total number of housing units within the Pennsylvania assessment area is approximately 2.1 million, of which 65 percent are owner-occupied, 26 percent are occupied rental units, and the remaining 9 percent are vacant. The median age of the housing stock is 42 years, with a median housing value of \$92 thousand.

According to the 2010 business data derived from D&B, there are approximately 278 thousand non-farm businesses located in the bank's Pennsylvania assessment area. The number of non-farm businesses located in the bank's Pennsylvania assessment area increased to 441 thousand in 2011; however, the distribution of these businesses according to revenues remained relatively constant. Approximately 74 percent of the businesses reported revenues of \$1 million or less, and are therefore considered "small businesses" for the purposes of CRA. A further breakdown reveals that 70 percent of the non-farm businesses earn revenues of less than \$500 thousand. Approximately 76 percent of the non-farm businesses are located in upper- and middle- income census tracts, while 5 percent and 19 percent are located in low- and moderate-income tracts, respectively.

NSB operates 144 (84 percent) of its 172 offices in Pennsylvania. In addition, approximately 70 percent of the ATMs operated by the bank are located within Pennsylvania.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PENNSYLVANIA

LENDING TEST

Lending Activity

The bank's performance under the lending test in Pennsylvania is consistent with its lending performance overall. During 2010 and 2011, approximately 90 percent by number and dollar volume of the HMDA-reportable loans were originated within the Pennsylvania assessment areas. During this same time period, 91 percent by number and 85 percent by dollar volume of the small business, small farm, and small business loans secured by residential real estate were

originated within Pennsylvania. This volume reflects an adequate level of responsiveness to the needs of the assessment area given the proportion of branches operated within this area and the assessment area demographics.

Geographic Distribution

HMDA Lending

The geographic distribution of home mortgage loans within Pennsylvania is similar to that of the bank's overall performance in this type of lending and reflects adequate penetration throughout this particular state. Table 17 provides the results of the review of the bank's home mortgage lending in Pennsylvania.

Table 17 - Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	1	1	21	0	10	0	31	0
Moderate	12	7	474	7	156	7	630	7
Middle	67	61	4,404	64	1,538	68	5,987	65
Upper	20	31	1,974	29	579	25	2,553	28
\$0/NA Income	0	0	0	0	0	0	0	0
Total	100	100	6,873	100	2,283	100	9,156	100

Source: U.S. Census, HMDA Disclosure Statements (2010), HMDA LAR 1/1/11-6/30/11), and HMDA Aggregate Data (2010)

The number of loans originated within low-income tracts during 2010 and 2011 was too small to generate a percentage. However, as shown above, a total of 31 home mortgage loans were originated over the review period within these tracts by NSB. Considering the limited opportunity to lend within these tracts and aggregate reporting lenders' performance, the bank's level of lending within these tracts is adequate.

NSB extended 7 percent of its total home mortgage loans within moderate-income areas during both 2010 and 2011. The bank's level of lending is below the 12 percent of total owner-occupied housing units situated within these tracts. However, the bank's performance in 2010 mirrors that of lenders in aggregate for the same time period.

The distribution of home mortgage loans by the bank is adequate considering the performance of reporting lenders in the aggregate and the competition for these loans. As previously indicated, the bank competed with close to 700 financial intermediaries for home mortgage loans in 2010 within this assessment area. While NSB was ranked 3rd in market share with 6 percent and 4 percent of total home mortgage loans by number and dollars, respectively, Wells captured twice the market by number and a little over four times the market by dollar than NSB.

Small Business Loans

The geographic distribution of small business loans within Pennsylvania reflects the bank's overall performance in this type of lending and demonstrates an adequate level of penetration throughout the assessment area. Additionally, the distribution of businesses within low-income tracts (4 percent) and moderate-income tracts (13 percent) is very similar to the distribution of the businesses within the entire assessment area. Overall, the geographic distribution of small business loans during the 18-month review period reflects an adequate penetration throughout the Pennsylvania assessment area as supported by the data presented in Table 18.

Table 18 - Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
Low	3	19	1	18	3	37	2
Moderate	11	175	16	82	15	257	16
Middle	60	752	68	376	68	1,128	68
Upper	26	164	15	75	14	239	14
\$0/NA Income	0	0	0	0	0	0	0
Total	100	1,110	100	551	100	1,661	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

Small Business Loans Secured by Residential Real Estate

Overall, the geographic distribution of small business loans secured by residential real estate reflects adequate penetration throughout this particular state and is in line with the bank's overall geographic performance regarding this loan product. Table 19 provides relevant data regarding the geographic distribution of the small business loans secured by residential real estate originated during 2010 and the first six months of 2011.

Table 19 - Distribution of Small Business Loans Secured by Residential Real Estate by Income Category of the Census Tract						
Census Tract Income Level	2010		2011		Total	
	#	%	#	%	#	%
Low	8	1	5	1	13	1
Moderate	71	12	48	13	119	12
Middle	416	69	250	69	666	69
Upper	111	18	59	17	170	18
\$0/NA Income	1	0	0	0	1	0
Total	607	100	362	100	969	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

The bank originated 1 percent of its total small business loans secured by residential real estate within low-income geographies during both 2010 and 2011. This performance is not in line with the percentage of businesses located within these tracts (4 percent). However, it is recognized that there is significant competition within this broad assessment area.

During 2010 and 2011, 12 percent and 13 percent of total small business loans secured by residential real estate, respectively, were extended within moderate-income areas. This performance is similar to business demographic data which indicates that 13 percent of the total businesses operating within this assessment area are situated within these tracts.

Overall the bank's performance is considered adequate when considering area competition, demographic data, and the slight improvement in the percentage distribution of small business loans secured by residential real estate extended in moderate-income areas from 2010 to 2011.

Borrower Characteristics

HMDA Lending

The bank's distribution of home mortgage loans over the review period reflects an adequate penetration among borrowers of different income levels and is consistent with the bank's overall performance in this type of lending. Table 20 displays the distribution of home mortgage loans for the bank and aggregate reporting lenders, as well as demographic data.

Table 20 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	18	7	397	6	110	5	507	6
Moderate	19	19	1,076	15	405	18	1,481	16
Middle	24	24	1,653	24	582	25	2,235	24
Upper	39	41	3,348	49	1,075	47	4,423	48
\$0/NA Income	0	9	399	6	111	5	510	6
Total	100	100	6,873	100	2,283	100	9,156	100

Source: U.S. Census, HMDA Disclosure Statements (2010), HMDA LAR (1/11-6/30/11), and HMDA Aggregate (2010)

Of the total home mortgage loans originated within Pennsylvania, 6 percent and 5 percent were extended to low-income individuals during 2010 and 2011, respectively. These percentages do not compare favorably to demographic data; however, 7 percent of these lower-income families earn income at a level at or below the poverty threshold and as such may not have the financial ability to sustain a home mortgage loan or the overall cost of owning a home. Furthermore, reporting lenders in the aggregate originated a slightly greater percentage of loans to low-income borrowers during 2010 than NSB.

Of the total home mortgage loans originated within Pennsylvania, 15 percent were extended to moderate-income individuals during 2010. This is below the percentage of such loans granted by aggregate reporting lenders (19 percent) during the same time period. Improvement in the percentage of loans originated to moderate-income individuals is noted for 2011. Furthermore, the bank's 2011 performance, as such relates to moderate-income borrowers, is reflective of demographic data.

Overall, the bank's distribution of home mortgage loans to different income level borrowers is adequate.

Small Business Loans

Given the demographics of the assessment areas located within Pennsylvania, the overall distribution of small business loans to businesses of varying sizes is adequate. The bank's performance within this assessment area is very similar to that in the combines assessment areas. Tables 21 and 22 support this conclusion.

Table 21 - Distribution of Small Business Loans by GARs of Business							
GARs (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$1,000	43	935	84	540	98	1,475	89
> \$1,000 or NA	57	175	16	11	2	186	11
Total	100	1,110	100	551	100	1,661	100

Source: CRA data collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

As shown above, 84 percent of the small business loans extended within the Pennsylvania assessment areas were to businesses earning GARs of \$1 million or less. This percentage significantly exceeds the 43 percent reflected for aggregate reporting lenders during the same time period. Furthermore, the percentage of loans originated to businesses earning this revenue level increased to 98 percent in 2011. D&B data indicates that approximately 74 percent of the businesses located within this assessment area earn GARs of \$1 million or less.

Table 22 - Distribution of Small Business Loans by Loan Size							
Loan Size (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$100	87	756	68	382	69	1,138	69
> \$100 ≤ \$250	7	238	21	114	21	352	21
> \$250 ≤ \$1,000	6	116	11	55	10	171	10
Total	100	1,110	100	551	100	1,661	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

The bank's small business lending, using the loan amount as a proxy for the size of the business being financed, further supports NSB's efforts to meet the credit needs of small businesses. As reflected above, 69 percent of the bank's small business loans were in amounts of \$100 thousand or less over the 18-month review period combined.

While the bank's 2010 performance is below that of aggregate reporting lenders for the same time period, it is important to note that larger regional or national financial institutions that specialize in business credit cards significantly impact the aggregate data as these are reported as small business loans.

Many of the financial intermediaries that dominate the small business loan market (by number) do so by specializing in the provision of business credit card products. NSB has a business credit card portfolio, but such is relatively minor in relation to the bank's other loan products and minuscule in comparison to other entities such as AMEX or Chase which captured a substantial portion of the small business loan market by number of originations during 2010.

The bank's performance over the 18-month review period indicates that 90 percent of the small business loans originated was in amounts equal to or less than \$250 thousand. This performance compares favorably to business demographic data which indicates that 70 percent of the businesses earn revenues of \$500 thousand or less. D&B does not provide a breakdown of the businesses by revenue categories that correspond to the loan size categories reflected above.

Considering area competition, the bank's loan focus, aggregate reporting lenders' performance, and business demographics, NSB's distribution of small business loans among businesses of different sizes is adequate.

Small Business Loans Secured by Residential Real Estate

The distribution of small business loans secured by residential real estate, given the product lines offered, reflects adequate penetration among businesses of different sizes. This performance is in line with the bank's overall performance for this particular loan product in regard to this criterion. Tables 23 and 24 support this conclusion.

Table 23 - Distribution of Small Business Loans Secured by Residential Real Estate by GARs of Business						
GARs (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$1,000	482	79	320	88	802	83
> \$1,000 or NA	125	21	42	12	167	17
Total	607	100	362	100	969	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

The bank originated 79 percent of its small business loans secured by residential real estate to businesses with GARs of \$1 million or less during 2010. The percentage of these loans originated to businesses of this revenue size increased to 88 percent in 2011. Additionally, D&B data indicate that 74 percent of the businesses located within this assessment area earn revenues at this level.

As previously indicated, dollar amount of a loan can be used as a proxy for determining the size of the businesses receiving the loan proceeds. Table 24 illustrates the distribution of small business loans secured by residential real estate by loan size.

Table 24 - Distribution of Small Business Loans Secured by Residential Real Estate by Loan Size						
Loan Size (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$100	533	88	322	89	855	88
> \$100	46	7	29	8	75	8
≤ \$250						
> \$250	28	5	11	3	39	4
≤ \$1,000						
Total	607	100	362	100	969	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

NSB originated slightly more than 96 percent of its small business loans secured by residential real estate for amounts less than or equal to \$250,000 during the combined 18-month review period. Furthermore, the vast majority of these loans were in amounts of \$100 thousand or less. This performance compares very favorably to business demographic data which indicates that 70 percent of the businesses earn revenues of \$500 thousand or less. D&B does not provide a breakdown of the businesses by revenue categories that correspond to the loan size categories reflected above. These factors indicate that the bank's performance in lending to small businesses is adequate.

Community Development Lending

Specific details of the community development loans originated since the previous evaluation were provided earlier. In total, the bank's community development lending in this assessment area is in line with the bank's overall performance for this criterion.

Innovative and Flexible Lending Practices

The bank does not make extensive use of innovative and flexible lending programs specifically targeted to the State of Pennsylvania. In addition to the several government-related flexible lending programs offered by NSB, one flexible lending program was offered in each of the following assessment areas: Erie MSA, Lebanon MSA, and Johnstown MSA. None of these programs were particularly successful over the evaluation period.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within the Pennsylvania assessment areas. NSB exhibits adequate responsiveness to the credit and community development needs of this state. However, the qualified investments are neither innovative nor flexible, the bank rarely is in a leadership position in regard to qualified investments, and the qualified investments utilized by the bank are generally routinely available.

The sole new qualified investment made during the review period in these assessment areas is secured by mortgage loans to low- or moderate-income individuals residing within Pennsylvania. Additionally, 94 percent of the monetary qualified donations provided since the prior evaluation were to community development organizations that service Pennsylvania residents and businesses. Slightly more than 50 percent of the qualified investments that were made during prior evaluation periods that remain on the bank's books benefit Pennsylvania.

The bank's performance under the Investment Test for the State of Pennsylvania is consistent with its overall Investment Test performance.

SERVICE TEST

The bank's performance under the Service Test for the Pennsylvania assessment areas is good and consistent with overall performance under this criterion. The bank's delivery systems are accessible to essentially all portions of the bank's Pennsylvania assessment areas. The bank operates 144 (84 percent) of its offices within Pennsylvania. Of these, 4 (3 percent) are located within low-income census tracts, 21 (15 percent) are located within moderate-income census tracts, 98 (68 percent) are located within middle-income census tracts, and 21 (14 percent) are located within upper-income census tracts.

Since the prior evaluation, the bank closed one office in Pennsylvania, within an upper-income tract in the Pittsburgh MSA. No new offices were opened within Pennsylvania. To the extent that changes have been made within the Pennsylvania assessment areas, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Products and services available throughout Pennsylvania are similar to those offered in the combined assessment areas. The bank's services and business hours do not vary in a way that inconveniences certain portions of the Pennsylvania assessment areas, particularly low- and moderate-income geographies and individuals and businesses. The bank

provides a relatively high level of community development services within the Pennsylvania assessment areas. Specific community development services targeted toward Pennsylvania assessment areas are discussed under the respective write-ups for each. The following community development service is provided throughout Pennsylvania.

The bank continues to administer the **Family Savings Account (FSA) Program** through the Department of Community and Economic Development (DCED). The program's purpose is to promote economic self-sufficiency by helping participants focus on long- and short-term financial skills as it encourages savings and asset development. The program is targeted to low-income individuals who are Pennsylvania residents. Based on an approved plan, the participants' matched savings can be used to help finance the purchase of a new home, pay for education expenses, or develop a business. The bank is currently managing approximately 60 accounts totaling slightly more than \$60 thousand.

NON-METROPOLITAN ASSESSMENT AREA RECEIVING FULL-SCOPE REVIEW - PENNSYLVANIA

The following details the bank's CRA performance within the four non-metropolitan assessment areas within Pennsylvania combined. A full-scope review was performed for these areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-MSA AREAS

The Non-MSA assessment areas consist of 233 census tracts within 18 counties in Pennsylvania, including: Cameron, Clarion, Clearfield, Clinton, Crawford, Elk, Forest, Huntington, Jefferson, Juniata, Lawrence, McKean, Mifflin, Potter, Schuylkill, Tioga, Venango, and Warren. According to 2000 U.S. Census data, the assessment area consists of 2 (1 percent) low-income census tract, 24 (10 percent) moderate-income census tracts, 193 (83 percent) middle-income census tracts, and 14 (6 percent) upper-income census tracts. Also, all of the tracts comprising Cameron and Forest Counties and a significant number of the geographies included within Warren County are designated as distressed or underserved nonmetropolitan tracts.

There are approximately 248 thousand families and 358 thousand households in the Non-MSA assessment areas. Of the families, 19 percent and 20 percent are low- and moderate-income, respectively. The distribution of households is similar. There are a total of 434 thousand housing units within the assessment area. Of these units, 63 percent are owner-occupied, 19 percent are rental units, and 18 percent are vacant.

According to the 2010 business data derived from D&B, there are approximately 48 thousand non-farm businesses located in this assessment area. Approximately 75 percent of these businesses reported revenues of \$1 million or less, and are therefore considered "small businesses" for the purposes of CRA. A further breakdown indicates that 71 percent of the businesses earn income of \$500 thousand or less. Approximately 1 percent and 11 percent of the non-farm businesses are located in low-income and moderate-income census tracts, respectively.

The bank operates 60 offices or 42 percent of all offices operated within Pennsylvania within this Non-MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA AREAS

LENDING TEST

Lending Activity

Lending levels reflect adequate responsiveness to assessment area credit needs and is consistent with the bank's overall Lending Test performance. During 2010 and 2011, 36 percent (by number) and 25 percent (by dollar) of the total HMDA loans located within Pennsylvania were within the Non-MSA areas. During the same time period, 50 percent (by number) and 42 percent (by dollar) of the CRA loans originated within all of the assessment areas within Pennsylvania combined were originated within the Non-MSA area. This volume is considered adequate given the proportion of branches, census tracts, housing units, families, and businesses

located within this area. It is important to note, that the bank's main office and administrative facilities are located within this Non-MSA area within the City of Warren, Pennsylvania. The bank has a strong presence in Warren County and is a significant employer of area residents.

The bank operates in a highly competitive environment for home mortgage loans with numerous mortgage companies, larger regional financial institutions, and other financial intermediaries offering similar products. During 2010, the bank captured 16 percent and 13 percent by number and dollar volume, respectively, of the home mortgage market, and was ranked 1st by number and dollar volume out of approximately 350 lenders that were required to report residential mortgage loans pursuant to HMDA. First National Bank and Wells were ranked 2nd and 3rd by number, respectively. These two financial intermediaries captured a combined 16 percent of the market (by number and dollar) during 2010.

A large number of financial intermediaries also compete for small business loans within the bank's assessment areas. Based upon information reported pursuant to CRA, approximately 90 financial intermediaries competed for small business loans with AMEX, PNC, and S&T Bank capturing an aggregate 29 percent by number and 21 percent by dollars of the market during 2010. It should be noted that while AMEX was ranked 1st by number and captured 11 percent of the market by number, this entity captured less than 1 percent of the market by dollars. The average loan amount of 5 of the top 10 market share holders by number was less than \$10 thousand dollars, which again, is an indication that many of these loans are business credit card.

Geographic Distribution

HMDA Lending

The geographic distribution of home mortgage loans within this assessment area reflects an adequate penetration of the various income level tracts. This is consistent with the bank's overall geographic performance. Table 25 provides the results of the review of the bank's home mortgage lending within the Non-MSA assessment areas.

Table 25 - Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	0	0	2	0	0	0	2	0
Moderate	7	5	129	5	45	5	174	5
Middle	86	85	2,113	87	737	87	2,850	87
Upper	7	10	198	8	65	8	263	8
\$0/NA Income	0	0	0	0	0	0	0	0
Total	100	100	2,442	100	847	100	3,289	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

While the bank originated two home mortgage loans in 2010 within low-income geographies, the number was too small to generate a percentage. No home mortgage loans were originated by NSB within these tracts during 2011. The number of loans originated by aggregate reporting lenders as well as the number of owner-occupied housing units within the low-income areas, were also too small to generate a percentage as reflected above. Considering the limited lending opportunity and aggregate lenders performance during 2010, the small number of home mortgage loans extended within these low-income tracts by NSB over the review period is adequate.

The bank originated 5 percent of its total home mortgage loans within moderate-income tracts during both 2010 and 2011. This performance mirrors that of reporting lenders in the aggregate and is only slightly below demographic data. As such, performance is considered adequate.

Small Business Loans

The geographic distribution of small business loans within this assessment area reflects an adequate penetration of the various income level tracts and is in line with the bank's overall geographic performance. Table 26 provides depicts the bank's small business lending within the Non-MSA assessment areas.

Table 26 - Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
Low	1	0	0	0	0	0	0
Moderate	10	88	15	38	14	126	15
Middle	81	460	80	228	81	688	80
Upper	8	28	5	14	5	42	5
\$0/NA Income	0	0	0	0	0	0	0
Total	100	576	100	280	100	856	100%

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

As shown above, NSB did not originate any small business loans within low-income census tracts during the entire review period. It is important to note, however, that reporting lenders in aggregate were only able to extend 1 percent of total small business loan originations within these tracts during 2010. Furthermore, only 1 percent of the total non-farm businesses within the Non-MSA are situated within these tracts. Considering the lack of lending opportunity and aggregate lenders performance, NSB's penetration of low-income tracts is considered adequate.

The bank originated 15 percent and 14 percent of total small business loans within moderate-income tracts during 2010 and 2011, respectively. The bank's 2010 performance exceeds that of reporting lenders in the aggregate (10 percent). Furthermore, NSB's penetration of these moderate-income tracts exceeds the percentage of businesses located within these areas (11 percent). This reflects adequate performance for this criterion in this assessment area.

Small Business Loans Secured by Residential Real Estate

The geographic distribution of small business loans within this assessment area reflects an adequate penetration of the various income level tracts and is consistent with the bank's overall performance. Table 27 provides the details for these loans during the 18-month review period.

Table 27 - Distribution of Small Business Loans Secured by Residential Real Estate by Income Category of the Census Tract						
Census Tract Income Level	2010		2011		Total	
	#	%	#	%	#	%
Low	0	0	0	0	0	0
Moderate	31	11	16	10	47	10
Middle	236	81	135	83	371	82
Upper	24	8	11	7	35	8
\$0/NA Income	0	0	0	0	0	0
Total	291	100	162	100	453	100

Source: CRA data collection (2010 and 1/1/11/-6/30/11)

As shown above, NSB did not originate any small business loans secured by residential real estate within low-income census tracts during the entire review period. It is important to note, however, that only 1 percent of the total non-farm businesses within the Non-MSA areas are situated within these tracts. Given the limited opportunities for lending, NSB's performance is considered adequate.

The bank originated 11 percent and 10 percent of total small business loans secured by residential real estate within moderate-income tracts during 2010 and 2011, respectively. NSB's penetration of these moderate-income tracts is comparable to the percentage of businesses located within these areas (11 percent).

Borrower Characteristics

HMDA Lending

The bank's distribution of home mortgage loans over the review period reflects an adequate penetration among borrowers of different income levels and is consistent with the bank's overall performance. Table 28 displays the distribution of home mortgage loans for the bank and aggregate reporting lenders, as well as demographic data.

Table 28 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	19	9	184	8	40	5	224	7
Moderate	20	20	422	17	173	20	595	18
Middle	25	25	640	26	220	26	860	26
Upper	36	39	1,028	42	374	44	1,402	43
\$0/NA Income	0	7	168	7	40	5	208	6
Total	100	100	2,442	100	847	100	3,289	100

Source: U.S. Census, HMDA Disclosure Statements (2010), HMDA LAR (1/1/11-6/30/11), and HMDA Aggregate Data (2010)

As shown above, 8 percent of the home mortgage loans originated within this assessment area during 2010 was extended to low-income individuals. This performance is only slightly below that of reporting lenders in aggregate for the same time period. Of the families within the assessment area, 19 percent are considered low-income and 8 percent of these earn income at or below the poverty level. During 2011, the percentage of loans originated to low-income borrowers declined significantly (8 percent in 2010 to 5 percent in 2011). While the bank's overall level of lending also declined (approximately 65 percent), the percent distribution of loans to low-income borrowers was the category most negatively impacted.

During 2010 and 2011, the bank originated 17 percent and 20 percent of total home mortgage loans to moderate-income borrowers, respectively. The bank's performance during 2010 is only slightly below the percentage of loans originated to moderate-income borrowers (20 percent) during the same time period by reporting lenders in the aggregate. The bank's performance compares favorably to the percentage of families that earn income defined as moderate (20 percent).

Small Business Loans

Given the demographics of this assessment area, the overall distribution of small business loans reflects an adequate penetration among businesses of various sizes. The bank's performance within this area is comparable to that in the combined assessment areas. Tables 29 and 30 support this conclusion. In addition, business demographic data is provided for comparative purposes.

Table 29 - Distribution of Small Business Loans by GARs of Business							
GARs (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$1,000	47	476	83	270	96	746	87
> \$1,000 or NA	53	100	17	10	4	110	13
Total	100	576	100	280	100	856	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

During 2010, the bank originated 83 percent of its small business loans to businesses with GARs of \$1 million or less. This compares favorably to the 47 percent extended to businesses earning this revenue level by reporting lenders in the aggregate during the same time period. The bank's performance also compares favorably to business demographics published by D&B, which indicate that 75 percent of the businesses within this assessment area reported revenues of \$1 million or less.

As reflected in Table 30, the bank's distribution of small business loans by loan size further also indicates adequate performance in meeting the credit need of very small businesses. In particular, 93 percent of the loans originated over the review period were in loan amounts less than or equal to \$250 thousand.

Table 30 - Distribution of Small Business Loans by Loan Size							
Loan Size (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$100	87	424	74	217	77	641	75
> \$100 ≤ \$250	8	107	18	47	17	154	18
> \$250 ≤ \$1,000	5	45	8	16	6	61	7
Total	100	576	100	280	100	856	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

During 2010, the bank originated 74 percent of its small business loans in amounts of \$100 thousand or less. Additionally, 18 percent of small business loans were in amounts greater than \$100 thousand but less than or equal to \$250 thousand. Reporting lenders in the aggregate extended 87 percent and 8 percent of small business loans in these respective loan amount categories.

The average loan amount of 5 of the top 10 small business lenders by number of loans originated during 2010 was less than \$10 thousand dollars. Many of these loans are actually small business credit cards; NSB does not have a large small business credit card portfolio. The average loan amount extended by NSB during 2010 was \$87 thousand, which is more representative of traditional small business loans. Furthermore, when compared to business demographics, the bank's performance is considered adequate. Specifically, based upon information published by D&B, 71 percent of the businesses have revenue of \$500 thousand or less.

Small Business Loans Secured by Residential Real Estate

The distribution of the small business loans secured by residential real estate reflects an adequate penetration among businesses of different sizes and is in line with the bank's overall performance for this particular loan product. Tables 31 and 32 support this conclusion.

Table 31 - Distribution of Small Business Loans Secured by Residential Real Estate by GARs of Business						
GARs (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$1,000	225	77	134	83	359	79
> \$1,000 or NA	66	23	28	17	94	21
Total	291	100	162	100	453	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

During 2010, the bank originated 77 percent of its small business loans secured by residential real estate to businesses that earned GARs of \$1 million or less. The percentage of these loans originated to businesses of this revenue size increased to 83 percent in 2011. This distribution compares favorably to demographics, as D&B data indicates that approximately 75 percent of the businesses located within this area earn revenues at this level.

The distribution of the bank's small business loans secured by residential real estate according to the size of loan was also reviewed. The loan amount is used as a proxy for the size of the business being financed (i.e., smaller amount generally equates to smaller business).

Table 32 - Distribution of Small Business Loans Secured by Residential Real Estate by Loan Size						
Loan Size (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$100	262	90	151	93	413	91
> \$100	17	6	7	4	24	5
≤ \$250						
> \$250	12	4	4	3	16	4
≤ \$1,000						
Total	291	100	162	100	453	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

The bank originated 90 percent of its small business loans secured by residential real estate in loan amounts of \$100 thousand or less and 6 percent in loan amounts of \$100 thousand to \$250 thousand over the 18-month review period. As previously indicated, 71 percent of the businesses in the assessment area earn GARs of \$500 thousand or less. This indicates that the bank's performance is adequate.

Community Development Lending

Specific details of the community development loans originated since the previous evaluation were provided earlier. Overall, the bank's level of community development lending in this assessment area is adequate and reflective of overall performance for this criterion.

Innovative and Flexible Lending Practices

NSB does not make significant use of flexible or innovative lending practices within the Non-MSA assessment area. While the government-related flexible lending programs previously discussed are also available throughout the Non-MSA assessment area, there are no programs specifically targeted toward the Non-MSA assessment area. This performance is reflective of that of the bank overall.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within the Non-MSA assessment area. NSB exhibits adequate responsiveness to the credit and community development needs of this area. However, the qualified investments are neither innovative nor flexible, the bank rarely is in a leadership position in regard to qualified investments, and the qualified investments utilized by the bank are generally routinely available. This is consistent with the bank's overall performance.

The sole new qualified investment made since the previous evaluation is secured by 31 loans to low- and moderate-income individuals within Pennsylvania; 3 of these are to individuals within this assessment area. In addition, \$59 thousand of qualified donations directly benefit organizations that service the needs of this assessment area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of the bank's Pennsylvania Non-MSA areas, including low- and moderate-income census tracts. The bank operates 60 (42 percent) of its Pennsylvania branch offices within this assessment area. During the evaluation period, no offices were opened or closed within this assessment area and therefore there was no adverse affect on the accessibility of its delivery systems. Similar products and services are available throughout this area and the other assessment areas. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. The bank provides a relatively high level of community development services within this assessment area, which is consistent with the bank's overall performance. The following community development services are provided throughout the Non-MSA areas.

One of the bank's employees participates in homebuyer education workshops conducted by a non-profit community action organization. The focus of this organization is to enable low-income residents of the county to obtain adequate affordable housing and to enable them to secure opportunities to achieve self sufficiency.

Another employee serves as a financial consultant for a non-profit organization that provides shelter for homeless women and children. The primary purpose of this organization is to provide a safe environment for women and their families who have suffered through poverty, addictions, mental illness, and incarceration.

The bank's CRA Officer serves in many capacities within the local community of the bank's headquarters, as well as the community in which he resides. Among these are his position as an advisory board member with a State community and economic development department whose mission is to foster opportunities for businesses and communities to succeed in a global economy. This organization provides various statewide community development programs to residents that provide improved housing, water and sewer infrastructure, public facilities and other economic assets. Among these programs are Community Block Grants, Community Housing Development Organizations and Homeless Management Information Systems. This same bank officer also serves as an adult financial education instructor for the areas' economic opportunity council. This organization is identified as a community action agency sponsored by the State of Pennsylvania.

An office manager serves as chairman of the site selection and construction committee for a local chapter of a nationwide organization that provides housing opportunities for many low- and moderate-income families. In this capacity, he researches and attempts to obtain a suitable residential site for the construction of a new affordable home for one of the organization's qualified applicants.

An office manager serves as the treasurer for an economic opportunity council. In this capacity, she is responsible for the organization's funding which relates to serving the needs of low- and moderate-income families, to include such activities as weatherization projects and the local Head Start Program.

A bank marketing staff member serves as a career exploration speaker within one of the local school districts, and in this capacity, she offers presentations to area students on the principal topic of financial marketing opportunities that are available to them.

METROPOLITAN ASSESSMENT AREA RECEIVING FULL-SCOPE REVIEW – ERIE MSA, PENNSYLVANIA

The following details the bank's CRA performance within the two metropolitan assessment areas within Pennsylvania that are subject to a full-scope review for this evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ERIE MSA ASSESSMENT AREA

The Erie MSA assessment area consists of 72 census tracts within Erie County. According to the 2000 U.S. Census, the assessment area consists of 5 (7 percent) low-income census tracts, 14 (19 percent) moderate-income census tracts, 37 (52 percent) middle-income census tracts, and 16 (22 percent) upper-income census tracts. There are approximately 72 thousand families and 106 thousand households. Of the families, 19 percent are low- and moderate-income. The distribution of households is similar to this distribution. There are a total of 114 thousand housing units within the assessment area. Of these units, 64 percent are owner-occupied, 29 percent are rental units, and 7 percent are vacant units. The distribution of the owner-occupied housing units within the different income census tracts is detailed below.

According to the 2010 business data derived from D&B, there are approximately 15 thousand non-farm businesses located in this assessment area. Approximately 74 percent of these businesses reported revenues of \$1 million or less. A further breakdown indicates that 69 percent of the businesses earn income of \$500 thousand or less. Approximately 7 percent and 15 percent of the non-farm businesses are located in low- and moderate-income census tracts, respectively.

Of all bank offices located in Pennsylvania, 21 or 14 percent are within the Erie MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ERIE MSA

LENDING TEST

Lending Activity

The bank's lending level reflects an adequate level of responsiveness to assessment area credit needs and its performance is consistent with the bank's overall Lending Test performance. During 2010 and 2011, 19 percent (by number) and 17 percent (by dollar) of the total HMDA loans originated within Pennsylvania by NSB were within this area.

The bank operates in a highly competitive environment for home mortgage loans, with approximately 150 mortgage companies, larger regional financial institutions, and other financial intermediaries. Despite this fact, NSB captured the greatest percentage of the market

(approximately 20 percent). PNC and Marquette Savings Bank were ranked 2nd and 3rd by number, respectively. These two financial intermediaries captured a combined 20 percent of the market (by number) and 28 percent (by dollar) of the home mortgage loans originated during 2010.

A large number of financial intermediaries also compete for small business loans within the bank's assessment areas. Based upon information reported pursuant to CRA, approximately 41 financial intermediaries competed for small business loans with PNC, AMEX, and First National Bank of PA capturing an aggregate 50 percent of the market (by number) during 2010. Of the top 10 market share holders by number, the average loan size of 5 of these intermediaries was less than \$10 thousand, an indication that many of these loans are business credit card transactions. NSB was ranked 5th with less than 10 percent of the small business loan market by number or dollar. The bank's average loan amount extended during 2010 was slightly more than \$100 thousand.

Geographic Distribution

HMDA Lending

The geographic distribution of home mortgage loans within this assessment area reflects an adequate penetration of the various income level tracts. This is consistent with the bank's overall performance. Table 33 illustrates the bank's home mortgage lending within this assessment area.

Table 33 - Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	1	0	5	0	4	1	9	1
Moderate	11	7	96	7	36	8	132	7
Middle	60	53	668	52	254	56	922	53
Upper	28	40	525	41	157	35	682	39
\$0/NA Income	0	0	0	0	0	0	0	0
Total	100	100	1,294	100	451	100	1,745	100%

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

While the bank originated 5 loans in 2010 within low-income geographies, the number was too small to generate a percentage. Similarly, the number of loans originated by reporting lenders in the aggregate during this same time period was too small to generate a percentage. During 2011, NSB originated four home mortgage loans (1 percent) within low-income tracts. The bank's performance is comparable to demographic data which indicates that 1 percent of the owner-occupied housing units are located within low-income tracts.

During 2010, the bank extended 7 percent of total home mortgage loans within moderate-income census tracts. This performance mirrors that of reporting lenders in the aggregate for the same time period. The percentage of loans originated by both lenders in aggregate and NSB is below demographic data. During 2011, the percentage of loans originated by NSB within moderate-income areas increased slightly to 8 percent.

Small Business Loans

The geographic distribution of small business loans within this assessment area reflects an adequate penetration of the census tracts of different income levels when considering the performance of reporting lenders in the aggregate and business demographics. Performance for this particular loan product is slightly better than that of the bank's overall performance for the same type of lending. Table 34 depicts the bank's small business lending within the Erie MSA.

Table 34 - Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
Low	5	10	5	9	11	19	7
Moderate	13	37	17	8	10	45	15
Middle	56	111	53	40	49	151	52
Upper	26	53	25	24	30	77	26
\$0/NA Income	0	0	0	0	0	0	0
Total*	100	211	100	81	100	292	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

NSB originated 5 percent of its small business loans within low-income census tracts during 2010. This performance mirrors that of reporting lenders in aggregate for the same time period. During 2011, the percentage of loans originated within these tracts increased substantially to 11 percent. During the review period, 7 percent of the small business loans were extended within

low-income areas. The bank's overall performance mirrors business demographic data which indicates that 7 percent of the non-farm business establishments located within this assessment area are situated within low-income tracts.

During 2010, NSB originated 17 percent of its small business loans within moderate-income areas as compared to 13 percent originated by reporting lenders in the aggregate during the same time period. The percentage of small business loans extended within these tracts declined to 10 percent in 2011. According to business demographic data, 15 percent of the non-farm business establishments are located within moderate-income tracts. The bank originated 15 percent of total small business loans over the 18-month review period within moderate-income areas which mirrors the percentage of business establishments located within these tracts.

Small Business Loans Secured by Residential Real Estate

The geographic distribution of small business loans within this assessment area reflects an adequate penetration of the various income level tracts and is consistent with the bank's overall performance for this type of lending. Table 35 illustrates this type of lending during the review period.

Table 35 - Distribution of Small Business Loans Secured by Residential Real Estate by Income Category of the Census Tract						
Census Tract Income Level	2010		2011		Total	
	#	%	#	%	#	%
Low	6	5	2	3	8	4
Moderate	17	15	20	25	37	19
Middle	64	54	47	59	111	56
Upper	31	26	10	13	41	21
\$0/NA Income	0	0	0	0	0	0
Total	118	100	79	100	197	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

NSB originated 5 percent and 3 percent of its small business loans secured by residential real estate within low-income census tracts during 2010 and 2011, respectively. The bank's overall performance during the review period is slightly below the percentage of non-farm business establishments located within this assessment area within low-income tracts (7 percent).

During 2010, NSB originated 15 percent of its small business loans secured by residential real estate within moderate-income areas. The percentage of small business loans secured by residential real estate extended within these tracts increased substantially during 2011.

Overall the percentage of small business loans secured by residential real estate extended by NSB compares favorably to demographics. As previously mentioned, 15 percent of the non-farm business establishments are located within moderate-income tracts.

Borrower Characteristics

HMDA Lending

The bank's distribution of home mortgage loans over the review period reflects an adequate penetration among borrowers of different income levels and is consistent with the bank's overall performance for this type of lending. Table 36 displays the distribution home mortgage lending by the bank and aggregate reporting lenders, as well as relevant demographic data, during the review period.

Table 36 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	19	7	77	6	24	5	101	6
Moderate	19	19	208	16	85	19	293	17
Middle	23	25	288	22	111	25	399	23
Upper	39	42	667	52	208	46	875	50
\$0/NA Income	0	7	54	4	23	5	77	4
Total*	100	100	1,294	100	451	100	1,745	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

The levels of lending to low-income individuals during 2010 and 2011 were 6 percent and 5 percent, respectively. This is well below the percentage of families designated as low-income (19 percent); however, 8 percent of these families are at or below the poverty level. Additionally, the bank's level of lending to low-income borrowers during 2010 is only slightly below that of lenders in aggregate for the same time period.

During 2010 and 2011, the bank originated 16 percent and 19 percent of total home mortgage loans to moderate-income borrowers, respectively. The bank's performance during 2010 is slightly below that of reporting lenders in the aggregate (19 percent). Additionally, lending levels during 2010 and 2011 are comparable to the percentage of moderate-income borrowers located within this assessment area.

Small Business Loans

The overall distribution of small business loans in this assessment area reflects adequate penetration among businesses of varying sizes and is consistent with the bank's overall performance in this type of lending. Tables 37 and 38 provide data to support this conclusion.

Table 37 - Distribution of Small Business Loans by GARs of Business							
GARs (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$1,000	48	183	87	80	99	263	90
> \$1,000 or NA	52	28	13	1	1	29	10
Total	100	211	100	81	100	292	100

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

During 2010, the bank originated 87 percent of its small business loans to businesses with GARs of \$1 million or less. This compares favorably to the 48 percent extended to businesses earning this revenue level by reporting lenders in the aggregate during the same time period. The percentage of small business loans originated to businesses earning this revenue level increased to 99 percent in 2011. The bank's performance also compares favorably to business demographics published by D&B., as 74 percent of the businesses within this assessment area reported revenues of \$1 million or less.

As reflected in Table 38, the bank's distribution of small business loans by loan size reflects adequate penetration, with approximately 91 percent of the loans originated in amounts less than or equal to \$250 thousand during the review period.

Table 38 - Distribution of Small Business Loans by Loan Size							
Loan Size (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$100	83	141	67	50	62	191	65
> \$100 ≤ \$250	10	53	25	22	27	75	26
> \$250 ≤ \$1,000	7	17	8	9	11	26	9
Total	100%	211	100%	81	100%	292	100%

Source: CRA data collection (2010 and 1/1/11-6/30/11), and CRA Aggregate Data (2010)

During 2010, the bank originated 67 percent of its small business loans in amounts of \$100 thousand or less; 25 percent were in amounts greater than \$100 thousand but less than or equal to \$250 thousand. Reporting lenders in the aggregate extended 83 percent and 10 percent of small business loans in these respective loan amounts during the same time period. This indicates overall adequate levels of small business lending in this assessment area.

Small Business Loans Secured by Residential Real Estate

The distribution of the small business loans secured by residential real estate reflects adequate penetration among businesses of different sizes. This performance is in line with the bank's overall performance for this particular loan product. Tables 39 and 40 provide support for this conclusion.

Table 39 - Distribution of Small Business Loans Secured by Residential Real Estate by GARs of Business						
GARs (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$1,000	88	75	75	95	163	83
> \$1,000 or NA	30	25	4	5	34	17
Total	118	100	79	100	197	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11)

During 2010, the bank originated 75 percent of its small business loans secured by residential real estate to businesses that earned GARs of \$1 million or less. The percentage of these loans originated to businesses of this revenue size increased to 95 percent in 2011. This compares favorably to the approximately 74 percent of the businesses located within this assessment area that earn revenues at this level (according to D&B data).

Table 40 - Distribution of Small Business Loans Secured by Residential Real Estate by Loan Size						
Loan Size (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$100	101	86	69	87	170	86
> \$100 ≤ \$250	13	11	9	12	22	11
> \$250 ≤ \$1,000	4	3	1	1	5	3
Total	118	100	79	100	197	100

Source: CRA data collection (2010 and 1/1/11-6/30/11)

As discussed previously, small business lending can also be gauged by evaluating the distribution of loans according to loan amount. The basis for this test is the assumption that small- and medium-sized businesses typically require smaller loan amounts. Accordingly, loans in amounts of \$100 thousand or less can reasonably be presumed to be extended to the smallest of businesses. During the review period, the bank originated 86 percent of small business loans secured by residential real estate in loan amounts of \$100 thousand or less and 11 percent in amounts between \$100 thousand and \$250 thousand. As 97 percent of the bank's total originations over the review period were extended in an even smaller loan size categories \$250 thousand or less), the bank has provided an adequate level of small business lending in the assessment area.

Community Development Loans

Specific details of the community development loans originated since the previous evaluation were provided earlier. The bank's performance in providing community development loans in this assessment area, is reflective of overall performance for this criterion.

Innovative and Flexible Lending Programs

As noted in other assessment areas, the bank makes little use of flexible or innovative lending practices; this is also the case for the Erie MSA assessment area. During the evaluation period, the bank offered one program specifically focused on providing affordable housing within Erie, Pennsylvania. One loan was originated under this program and it is no longer offered. The flexible government-related programs available throughout the bank's combined assessment areas are also available within this assessment area.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within the Erie MSA assessment area; however, these investments are neither innovative nor flexible. Additionally, the bank rarely is in a leadership position in regard to investments made and those provided by the bank are generally routinely available.

For this assessment area, \$46 thousand of the \$510 thousand in qualified donations directly benefit organizations located therein. In addition, qualified investments equaling \$80 thousand that benefit both this assessment area and the Non-MSA Pennsylvania assessment area combined were provided.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of the Erie MSA assessment area. The bank operates 21 (14 percent) of its Pennsylvania branch offices within this assessment area and during the evaluation period, the bank did not open or close any offices therein. Products and services offered throughout this MSA are similar to those offered in the combined assessment areas. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. The bank provides a relatively high level of community development services within this assessment area, as it does within the entire State of Pennsylvania. Examples of these are discussed below.

Several of the bank's officers serve as budget coaches for a local chapter of a nationwide organization that provides affordable housing opportunities for low- and moderate-income families. In this capacity, they provide counseling and other financial advice to prospective applicants for eligibility into the program.

Two officers continue to serve on the board and finance committee of a local organization that focuses on providing services to low-income households in the Erie, Pennsylvania area. These services include pre-purchase housing counseling targeted to low- and moderate-income individuals, an emergency food pantry and financial assistance, and a child-care facility.

METROPOLITAN ASSESSMENT AREA RECEIVING FULL-SCOPE REVIEW – PITTSBURGH MSA, PENNSYLVANIA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN PITTSBURGH MSA ASSESSMENT AREA

The Pittsburgh MSA assessment area consists of 533 census tracts within the counties of Allegheny, Armstrong, Butler, and Washington. According to 2000 U.S. Census data, the assessment area consists of 34 (6 percent) low-income census tracts, 121 (23 percent) moderate-income census tracts, 243 (46 percent) middle-income census tracts, and 134 (25 percent) upper-income census tracts. There is also one tract for which no demographic data is available, the result of limited or no population. There are approximately 458 thousand families and 713 thousand households within the assessment area. Of the families, 19 percent are low-income and 18 percent are moderate-income; the distribution of households is similar. There are a total of 773 thousand housing units within the assessment area. Of these, 64 percent are owner-occupied, 28 percent are rental units, and 8 percent are vacant units. The distribution of the owner-occupied housing units within census tracts of different income levels is detailed below.

According to 2010 business data derived from D&B, there are close to 107 thousand non-farm businesses located in this assessment area. Approximately 73 percent of these reported revenues of \$1 million or less, and are therefore considered “small businesses” for the purposes of CRA. A further breakdown indicates that 68 percent of the businesses earn income of \$500 thousand or less. Approximately 4 percent and 15 percent of the non-farm businesses are located in low- and moderate-income census tracts, respectively. Information regarding the economic environment was previously provided under the Description of the Assessment Area for the combined assessment areas.

Of all bank offices located in Pennsylvania, 30 or 21 percent are within the Pittsburgh MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PITTSBURGH MSA

LENDING TEST

The bank’s lending levels within the Pittsburgh MSA assessment area are considered adequate and are consistent with overall performance in the Lending Test. During 2010 and 2011, 23 percent (by number) and 32 percent (by dollar) of the total HMDA-reportable loans originated by NSB within Pennsylvania were within the Pittsburgh MSA assessment area.

The bank operates in a highly competitive environment for home mortgage loans with numerous mortgage companies, larger regional financial institutions, and other financial intermediaries lending within the assessment area. During 2010, the bank captured 4 percent by number and dollar volume of the home mortgage market, and was ranked in the top 10 by number and dollar volume out of approximately 384 HMDA-reporting lenders in the assessment area. PNC, Wells,

and Dollar Bank, FSB were the top three market share holders by number and dollar volume. These three financial intermediaries captured approximately 30 percent of the market by both number and dollar volume in 2010 according to aggregate HMDA data.

Approximately 90 financial intermediaries compete for small business loans within the bank's Pittsburgh MSA assessment area based upon 2010 information reported pursuant to CRA. PNC and AMEX dominated the market by number of loans during 2010. These two entities alone captured an aggregate 51 percent of the small business market by number; AMEX only captured 2 percent of the market by dollar volume. Six of the top 10 market share holders by number had an average loan size less than \$10 thousand, which is an indication that many of these loans are actually open-end business credit cards. NSB was ranked 18th with 1 percent and 2 percent of the market by number and dollar volume, respectively. NSB's average small business loan amount was 189 thousand during 2010.

Geographic Distribution

HMDA Lending

The geographic distribution of home mortgage loans within this assessment area reflects an adequate penetration of census tracts of different income levels. This is consistent with the bank's overall geographic performance in this type of lending. Table 41 illustrates the results of the bank's home mortgage lending within the Pittsburgh MSA assessment area.

Table 41 - Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	2	0	1	0	0	0	1	0
Moderate	15	8	114	7	28	6	142	7
Middle	51	41	623	39	191	43	814	39
Upper	32	51	879	54	231	51	1,110	54
\$0/NA Income	0	0	0	0	0	0	0	0
Total*	100	100	1,617	100	450	100	2,067	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

The bank originated one home mortgage loan in 2010 within a low-income geography, and none during 2011. The number of loans originated by aggregate lenders during 2010 within low-income areas was also low and too small to generate a percentage. Lending opportunities within these tracts are limited as only 2 percent of housing units are owner-occupied. Given these circumstances and the lending levels reflected in the aggregate data, NSB's lending within these tracts is considered reasonable.

The bank originated 7 percent and 6 percent of its home mortgage loans within moderate-income tracts during 2010 and 2011, respectively. The bank's level of lending is well below the percentage of owner-occupied housing units (15 percent) within these tracts, but is comparable to that of aggregate reporting lenders.

Small Business Loans

The geographic distribution of small business loans within this assessment area reflects adequate penetration of census tracts of different income levels and is more favorable than the bank's overall geographic performance for this type of lending. Table 42 shows the bank's small business lending within the Pittsburgh MSA assessment area.

Table 42 - Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#
Low	3	1	1	1	1	2	1
Moderate	13	18	15	12	19	30	16
Middle	40	56	45	30	48	86	46
Upper	44	49	39	20	32	69	37
\$0/NA Income	0	0	0	0	0	0	0
Total	100	124	100	63	100	187	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11), CRA Aggregate Data (2010)

NSB originated two small business loans within low-income census tracts during the review period. Reporting lenders in the aggregate also originated a minimal number of small business loans (3 percent) within these tracts during 2010. Small business loan opportunities within these tracts are minimal considering that only 4 percent of the total non-farm businesses within this

assessment area are located therein. Additionally, two financial institutions (PNC and AMEX) dominated the Pittsburgh MSA small business loan market in 2010. These factors negatively impacted the bank's ability to capture a greater portion of the small business lending in these tracts and explains the low numbers.

The bank originated 15 percent and 19 percent of total small business loans within moderate-income tracts during 2010 and 2011, respectively. The bank's 2010 performance exceeds that of reporting lenders in the aggregate (13 percent). NSB's penetration of these moderate-income tracts during the review period also compares favorably to the percentage of businesses located within these areas (15 percent).

Small Business Loans Secured by Residential Real Estate

The geographic distribution of small business loans secured by residential real estate within this assessment area reflects adequate penetration of the census tracts of different income levels and is consistent with the bank's overall performance for this type of lending. Table 43 shows these loans in the assessment area during the review period.

Table 43 - Distribution of Small Business Loans Secured by Residential Real Estate by Income Category of the Census Tract						
Census Tract Income Level	2010		2011		Total	
	#	%	#	%	#	%
Low	0	0	0	0	0	0
Moderate	8	13	7	14	15	13
Middle	25	40	22	43	47	41
Upper	29	46	22	43	51	45
\$0/NA Income	1	1	0	0	1	1
Total	63	100	51	100	114	100

Source: CRA Data Collection (2010 and 1/11/11-6/30/11)

NSB did not originate any small business loans secured by residential real estate within low-income census tracts during the review period. Demographic data indicates that 4 percent of small businesses are situated within low-income geographies. There are limited opportunities to lend within these tracts and the bank does operate within a highly competitive market, however this level of lending is not considered adequate. The bank's inability to better penetrate these low-income areas is due in part to the lack of flexible and innovative lending practices specifically targeted toward meeting the credit needs of small businesses within these tracts.

The bank originated 13 percent and 14 percent of total small business loans secured by residential real estate within moderate-income tracts during 2010 and 2011, respectively. NSB's penetration of these moderate-income tracts is only slightly below the percentage of businesses located within these areas (15 percent) and is considered reasonable.

Overall, the bank's performance under this criterion for this type of lending is considered adequate. This is primarily due to the level of lending within moderate-income tracts, competition, and limited lending opportunities within low-income areas.

Borrower Characteristics

HMDA Lending

The bank's distribution of home mortgage loans during the review period reflects an adequate penetration among borrowers of different income levels and is consistent with the bank's overall performance. Table 44 displays the distribution HMDA-reportable loans for the bank and aggregate reporting lenders, as well as applicable demographic data.

Table 44 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	19	6	71	4	11	3	82	4
Moderate	18	16	215	13	62	14	277	13
Middle	21	22	338	21	110	24	448	22
Upper	42	48	930	58	258	57	1,188	57
\$0/NA Income	0	8	63	4	9	2	72	4
Total	100%	100	1,617	100	450	100	2,067	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

Four percent of home mortgage loans originated within this assessment area by the bank during 2010 were extended to low-income individuals. This performance is slightly below that of reporting lenders in the aggregate for the same time period (6 percent). During 2011, the percentage of loans originated to low-income borrowers declined slightly to 3 percent. Neither

the bank's performance nor that of reporting lenders in the aggregate is in line with demographics. As shown in Table 44, 19 percent of the families are classified as low-income; 8 percent of these are at or below the poverty level. This would limit the demand for home mortgages in these tracts.

During 2010 and 2011, the bank originated 13 percent and 14 percent of total home mortgage loans to moderate-income borrowers, respectively. The bank's performance during 2010 is below the percentage of loans originated to moderate-income borrowers (20 percent) by reporting lenders in the aggregate during the same time period. Also, the percentage of loans originated for each year is below the percentage of families designated as earning income at a moderate-income level (18 percent).

Although this performance is considered adequate overall, the lack of innovative and flexible lending programs targeted toward the credit needs of low- and moderate-income residents of the Pittsburgh MSA is probably the most significant factor contributing to the bank's low levels of lending to these borrowers when compared to aggregate data and demographics.

Small Business Loans

The overall distribution of small business loans reflects adequate penetration of businesses of various sizes and is consistent with the bank's performance in this type of lending overall. Tables 45 and 46 provide information to support this conclusion. Business demographic data is also provided below for comparative purposes.

Table 45 - Distribution of Small Business Loans by GARs of Business							
GARs (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$1,000	41	99	80	63	100	162	87
> \$1,000 or NA	59	25	20	0	0	25	13
Total	100	124	100	63	100	187	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11), CRA Aggregate Data (2010)

During 2010, the bank originated 80 percent of its small business loans to businesses with GARs of \$1 million or less. This compares favorably to the 41 percent extended to businesses earning this revenue level by reporting lenders in the aggregate during the same time period. The bank's performance also compares favorably to business demographics published by D&B, as approximately 73 percent of the businesses within this assessment area reported revenues of \$1 million or less.

As reflected in Table 46, the bank's distribution of small business loans by loan amount is adequate, with approximately 81 percent of the loans originated in amounts less than or equal to \$250 thousand.

Table 46 - Distribution of Small Business Loans by Loan Size							
Loan Size (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$100	88	62	50	35	55	97	52
> \$100 ≤ \$250	6	35	28	20	32	55	29
> \$250 ≤ \$1,000	6	27	22	8	13	35	19
Total	100	124	100	63	100%	187	100

Source: CRA data collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

During 2010, the bank originated 50 percent of its small business loans in amounts of \$100 thousand or less; 28 percent were in amounts greater than \$100 thousand but less than or equal to \$250 thousand. Reporting lenders in the aggregate extended 88 percent and 6 percent of small business loans in these respective loan amounts during the same time period. As previously indicated, 6 of the top 10 market share holders by number of loans (during 2010) had average loan amounts of less than \$10 thousand dollars. This is due to the fact that many of the small business loans originated by these financial intermediaries consist of business credit cards. NSB does not have a large small business credit card portfolio. The average loan amount extended by the bank during 2010 was \$189 thousand, which is more representative of traditional small business loans.

When compared to business demographics, the bank's performance is considered adequate. In particular, based upon information published by D&B, 68 percent of the businesses in this assessment area earn income of \$500 thousand or less.

Small Business Loans Secured by Residential Real Estate

The distribution of the small business loans secured by residential real estate reflects adequate penetration among businesses of different sizes and is consistent with the bank's overall performance for this particular loan product regarding this criterion. Tables 47 and 48 provide support for this conclusion.

Table 47 - Distribution of Small Business Loans Secured by Residential Real Estate by GARs of Business						
GARs (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$1,000	55	87	45	88	100	88
> \$1,000 or NA	8	13	6	12	14	12
Total	63	100	51	100	114	100%

Source: CRA Data Collection (2010 and 1/1/11-6/30/11)

During the review period, the bank originated 88 percent of its small business loans secured by residential real estate to businesses that earned GARs of \$1 million or less. This distribution compares favorably to D&B demographic data, which indicates that approximately 73 percent of the businesses located within this assessment area earn revenues at this level.

A review of the distribution of small business loans secured by residential real estate according to the loan amount was also conducted; loan amount is utilized as a proxy for the size of the business being financed.

Table 48 - Distribution of Small Business Loans Secured by Residential Real Estate by Loan Size						
Loan Size (000s)	2010		2011		Total	
	#	%	#	%	#	%
≤ \$100	55	87	41	80	96	84
> \$100 ≤ \$250	4	7	6	12	10	9
> \$250 ≤ \$1,000	4	6	4	8	8	7
Total	63	100	51	100	114	100

Source: CRA data collection (2020 and 1/1/11-6/30/11)

The bank originated 84 percent of small business loans secured by residential real estate in loan amounts of \$100 thousand or less during 2010 and 2011, combined. During this same time period, 9 percent of the loans extended were in amounts between \$100 thousand and \$250 thousand. As previously indicated, 68 percent of the businesses in the assessment area earn revenues of \$500 thousand or less. As 93 percent of the bank's originations in this assessment area during the review period were extended in amounts of \$250 thousand or less, this compares favorably to demographic data.

Community Development Loans

Specific details of the community development loans originated since the previous evaluation were provided earlier in this evaluation. The bank made an adequate level of community development loans within this assessment area.

Flexible and Innovative Lending Practices

The bank does not actively use of flexible or innovative lending practices within the Pittsburgh MSA assessment area. The government-related flexible lending programs previously discussed are also available within this assessment area; however, there are no flexible or innovative loan programs specifically targeted toward the credit needs of this assessment area.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within the Pittsburgh MSA assessment area. These investments are neither innovative nor flexible, however, and are routinely available.

The sole new qualified investment made since the previous evaluation is secured by 31 loans to low- and moderate-income individuals within Pennsylvania. Of the 31 loans that securitize the mortgage-backed security, 3 loans are to individuals within this area. In addition, 3 percent of the total qualified donations directly benefit organizations that service the needs of this area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of the Pittsburgh MSA assessment area. The bank operates 30 (21 percent) of its Pennsylvania branch offices within this assessment area. During the evaluation period, the bank closed one office within an upper-income tract in this assessment area. No offices were opened. To the extent that changes have been made within this assessment area, none have adversely affected the accessibility of delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Products and services similar to those offered throughout the bank's assessment areas are provided in this MSA.

The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. The bank provides a relatively high level of community development services within this assessment area, as it does within the entire State of Pennsylvania. Examples of these community development services are discussed below.

A commercial lender is a member of the board and loan committee of the area's urban redevelopment authority and in this capacity is responsible for reviewing and decision-making on small business and development loans within the City of Pittsburgh.

One of the bank's office managers is co-chairman of the anti-predatory lending committee of a local community development group.

The bank's compliance officer serves as a board member and instructor to a financial education program founded by the Federal Home Loan Bank of Pittsburgh. The program provides free instruction to young adults in the basics of setting financial goals, avoiding financial traps, understanding credit, savings and investing, managing debt, avoiding predatory lenders, and choosing insurance products. Aside from his role as a part-time instructor, this individual also identifies the locations for these workshops, oversees the curriculum, and searches for additional funding sources to continue the program.

Several other bank managers within the area have also provided financial literacy programs to both individuals and non-profit organizations, as well as participated in a program that assists homeowners with questions regarding the potential of foreclosure and the consequences of subprime loans.

METROPOLITAN ASSESSMENT AREAS RECEIVING LIMITED-SCOPE REVIEW

The following details the remaining eight metropolitan assessment areas within Pennsylvania that received a limited-scope review.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN LEBANON MSA 30140

The Lebanon MSA assessment area consists of 29 census tracts, all within Lebanon County. According to 2000 U.S. Census data, the assessment area consists of 4 (14 percent) moderate-income census tracts, 21 (72 percent) middle-income census tracts, and 4 (14 percent) upper-income census tracts. This area does not contain any low-income census tracts. Of all bank offices located in Pennsylvania, 5 (3 percent) are within the Lebanon MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LEBANON MSA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with its overall performance in this criterion; however, lending activity does not represent a significant volume of the bank's overall loan originations. During 2010 and 2011 combined, 4 percent (by number and dollar volume) of NSB's home mortgage lending within its Pennsylvania assessment areas was within the Lebanon MSA assessment area. This volume is considered adequate given the numbers of branches, census tracts, housing units, households, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

The bank did not originate any community development loans within this assessment area during the evaluation period.

The bank originated two loans under one flexible lending program specifically targeted to the Lebanon MSA, as discussed previously within this evaluation. In addition, the other government-related flexible lending programs discussed earlier in this evaluation are also available within this assessment area. Overall, the bank makes limited use of innovative and flexible lending practices within this area.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within this assessment area, which is consistent with the bank's overall performance within Pennsylvania and overall. Investments are neither innovative nor flexible and are routinely available. Approximately 3 percent of total qualified donations directly benefit organizations that service the needs of this area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of this assessment area. The bank operates five (3 percent) of its Pennsylvania branch offices within this assessment area. During the evaluation period the bank did not open or close any offices within this assessment area. Products and services offered in other assessment areas are also available in this MSA. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, individuals, businesses. The bank provides a relatively high level of community development services within this assessment area, as it does within the entire State of Pennsylvania. Examples of these community development services are discussed below.

A bank employee continues to serve on the board of the local affordable housing council, where she works with local lenders, realtors, and settlement companies to educate first-time homebuyers, as well as manage the organization's loan program.

One of the bank's area managers is an active member of the local chapter of Habitat for Humanity. She is involved with the financial aspects of the organization, including qualifying potential candidates and fundraising activities conducted throughout the year.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN STATE COLLEGE MSA

The State College MSA assessment area consists of 29 census tracts within Centre County. According to 2000 U.S. Census data, the assessment area consists of 2 (6 percent) low-income census tracts, 6 (21 percent) moderate-income census tracts, 10 (35 percent) middle-income census tracts, and 10 (35 percent) upper-income census tracts. This area also includes one census tract for which no demographic data is available because there is limited or no population. Of all bank offices located in Pennsylvania, 6 (4 percent) are within the State College MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN STATE COLLEGE MSA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with overall performance in this criterion; however, lending activity does not represent a significant volume of the bank's overall loan originations. During 2010 and 2011 combined, 5 percent (by number) and 7 percent (by dollar volume) of NSB's home mortgage lending within its Pennsylvania assessment areas was within the State College MSA assessment area. This volume is considered adequate given the branches, census tracts, housing units, households, and number of businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

Specific details of the community development loans originated since the previous evaluation were provided earlier. Community development lending in this assessment area is consistent with the bank's overall level of such lending.

The bank does not have any innovative or flexible lending programs specifically targeted toward this assessment area. The government-related flexible lending programs discussed earlier in this evaluation are also available within this assessment area. Overall, the bank makes little use of flexible and no use of innovative lending practices, which is in line with its overall performance in regard to this criterion.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within this assessment area, which is consistent with the bank's overall performance within Pennsylvania as well as all assessment areas combined. NSB exhibits adequate responsiveness to the credit and community development needs of this area. However, the qualified investments are neither innovative nor flexible, the bank rarely is in a leadership position in regard to qualified investments, and the qualified investments utilized by the bank are generally routinely available.

The sole new qualified investment made since the previous evaluation is secured by 31 loans to low- and moderate-income individuals within Pennsylvania. Of the 31 loans that securitize this mortgage-backed security, four loans are to individuals within this area. In addition, 8 percent of the total qualified donations directly benefit organizations that service the needs of this area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of this assessment area. The bank operates six (4 percent) of its Pennsylvania branch offices within this assessment area. During the evaluation period, the bank did not open or close any offices within this assessment area. Products and services offered in other assessment areas are also available in this MSA. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, individuals, and businesses. The bank provides a relatively high level of community development services within this assessment area, as well as in the entire State of Pennsylvania. An example of one of these community development services is discussed below.

One of the bank's assistant managers serves on the board of a non-profit organization that provides various services including resources, education, and training for people within the Centre County community. The organization focuses on providing basic needs such as emergency food, shelter, and transportation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN JOHNSTOWN MSA

The Johnstown MSA assessment area consists of 55 census tracts. In particular, the area contains one county within the Johnstown MSA (Cambria County) and seven census tracts in an adjoining Non-MSA county (Somerset County). According to 2000 U.S. Census data, the assessment area consists of 2 (4 percent) low-income census tracts, 13 (23 percent) moderate-income census tracts, 34 (62 percent) middle-income census tracts, and 6 (11 percent) upper-income census tracts. Of all bank offices in Pennsylvania, the bank operates 4 (3 percent) within the Johnstown MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JOHNSTOWN MSA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with its overall performance in this criterion; however, lending activity does not represent a significant volume of the bank's overall loan originations. During 2010 and 2011 combined, 2 percent (by number and dollar volume) of NSB's home mortgage lending within its Pennsylvania assessment areas was within the Johnstown MSA assessment area. This volume is considered adequate given the number branches, census tracts, housing units, households, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

The bank did not originate any community development loans in this assessment area during the evaluation period.

The bank originated three loans under a flexible lending program targeted toward the City of Johnstown. Additionally, the government-related flexible lending programs previously discussed are also available within this assessment area.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within this assessment area, which is consistent with the bank's performance within Pennsylvania and overall. Investments are neither innovative nor flexible, and are routinely available.

Approximately 10 percent of the bank's total qualified donations directly benefit organizations that service the needs of this area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of this assessment area. The bank operates four (3 percent) of its Pennsylvania branch offices within this assessment area. During the evaluation period the bank did not open or close any offices within this assessment area. Products and services offered in other assessment areas are also available in this MSA. The bank's services and business hours do not vary in a way that inconveniences

certain portions of this assessment area, particularly low- and moderate-income geographies and individuals. The bank provides a relatively high level of community development services within the State of Pennsylvania; however, no specific community development services have been identified for this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN LANCASTER MSA

The Lancaster MSA assessment area consists of 94 census tracts, all within Lancaster County. According to the 2000 census data, the assessment area consists of 5 (4 percent) low-income census tracts, 11 (12 percent) moderate-income census tracts, 71 (76 percent) middle-income census tracts, and 7 (8 percent) upper-income census tracts. Of the total Pennsylvania offices, the bank operates seven offices or 5 percent within the Lancaster MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LANCASTER MSA

LENDING TEST

The bank's Lending Test performance within this assessment area is consistent with its overall performance in this criterion; however, lending activity does not represent a significant volume of the bank's overall loan originations. During 2010 and 2011 combined, 4 percent (by number) and 6 percent (by dollar volume) of NSB's home mortgage lending within its Pennsylvania assessment areas was within this assessment area. This volume is considered adequate given the number of branches, census tracts, housing units, households, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

The bank did not originate any community development loans within this assessment area during this evaluation period.

The bank does not have any innovative or flexible lending programs specifically targeted toward this assessment area. The government-related flexible lending programs discussed earlier in this evaluation are also available within this assessment area.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within this assessment area, which is consistent with the bank's performance within Pennsylvania and overall. Qualified investments are neither innovative nor flexible and are routinely available.

The sole new qualified investment made since the previous evaluation is secured by 31 loans to low- and moderate-income individuals within Pennsylvania. Of the 31 loans that securitize the mortgage-backed security, 8 loans are to individuals within this area. In addition, 3 percent of the total qualified donations directly benefit organizations that service the needs of this area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of this assessment area. The bank operates seven (5 percent) of its Pennsylvania branch offices within this assessment area. During the evaluation period, the bank did not open or close any office within this area. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, individuals, and businesses. The bank provides a relatively high level of community development services within the State of Pennsylvania; however, no specific community development services have been identified for this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN YORK-HANOVER MSA

The York-Hanover MSA assessment area consists of 82 census tracts, all within York County. According to 2000 U.S. Census data, the assessment area consists of 6 (7 percent) low-income census tracts, 11 (13 percent) moderate-income census tracts, 58 (71 percent) middle-income census tracts, and 7 (9 percent) upper-income census tracts. Of the total Pennsylvania offices, the bank operates 7 (5 percent) within the York-Hanover MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN YORK-HANOVER MSA

LENDING TEST

The bank's Lending Test performance within this assessment area is consistent with its overall performance; however, lending activity does not represent a significant volume of the bank's overall loan originations.

During 2010 and 2011 combined, 2 percent (by number and dollar volume) of NSB's home mortgage lending within its Pennsylvania assessment areas was within this assessment area. This volume is considered adequate given the number of branches, census tracts, housing units, households, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

The bank did not originate any community development loans within this assessment area during the evaluation period.

The bank does not have any innovative or flexible lending programs specifically targeted toward this assessment area. The government-related flexible lending programs discussed earlier in this evaluation are also available within this assessment area.

INVESTMENT TEST

NSB has a significant level of qualified community development investments and grants within this assessment area, which is better than the bank's performance within Pennsylvania as a whole or overall. Investments are neither innovative nor flexible and are routinely available.

The sole new qualified investment made since the previous evaluation is secured by 31 loans to low- and moderate-income individuals within Pennsylvania. Of the 31 loans that securitize the mortgage-backed security, 10 loans are to individuals within this area. In addition, 29 percent of the total qualified donations directly benefit organizations that service the needs of this area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of this assessment area. The bank operates 7 (5 percent) of its Pennsylvania branch offices within this assessment area. During the evaluation period, the bank did not open or close any offices within this area. Products and services offered in other assessment areas are also available in this MSA. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, individuals, and businesses. The bank provides a relatively high level of community development services within this assessment area, as it does within the entire State of Pennsylvania. Examples of these community development services are discussed below.

One of the bank's commercial loan officers is an active member of the area chapter of Habitat for Humanity. She is involved with the financial aspects of the local organization, including qualifying potential candidates and fundraising activities conducted throughout the year.

Another employee of the bank provides assistance to a local chapter of a nationwide group that is dedicated to the promotion of economic independence for disadvantaged women. Aside from providing the necessary professional attire, this organization also provides the necessary career development tools and support functions for these women.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN HARRISBURG-CARLISLE MSA

The Harrisburg-Carlisle MSA assessment area consists of 59 census tracts within Dauphin County. According to 2000 U.S. Census data, the assessment area consists of 5 (8 percent) low-income census tracts, 16 (27 percent) moderate-income census tracts, 30 (51 percent) middle-income census tracts, and 8 (14 percent) upper-income census tracts. Of all bank offices located in Pennsylvania, 1 is within this assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN HARRISBURG-CARLISLE MSA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with its overall performance in this criterion; however, lending activity does not represent a significant volume of the bank's overall loan originations. During 2010 and 2011 combined, 2 percent (by number) and 3 percent (by dollar volume) of NSB's home mortgage lending within its Pennsylvania assessment areas was within this assessment area. This volume is considered adequate given the

number of branches, census tracts, housing units, households, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

The bank did not originate any community development loans within this assessment area during the evaluation period.

The bank does not have any innovative or flexible lending programs specifically targeted toward this assessment area. The government-related flexible lending programs discussed earlier in this evaluation are also available within this assessment area.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within this assessment area, which is consistent with the bank's performance within Pennsylvania and overall. Investments are neither innovative nor flexible, are routinely available.

Approximately 1 percent of the total qualified donations directly benefit organizations that service the needs of this area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of this assessment area. The bank operates one of its Pennsylvania branch offices within this assessment area. No offices were opened or closed within this area during the evaluation period. Products and services offered in other assessment areas are also available in this MSA. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, individuals, and businesses. The bank provides a relatively high level of community development services within the State of Pennsylvania; however, no specific community development services have been identified for this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WILLIAMSPORT MSA

The Williamsport MSA assessment area consists of 27 census tracts all within Lycoming County. According to 2000 U.S. Census data, the assessment area consists of 6 (23 percent) moderate-income census tracts, 19 (70 percent) middle-income census tracts, and 2 (7 percent) upper-income census tracts. This area does not contain any low-income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WILLIAMSPORT MSA

LENDING TEST

The bank's Lending Test performance within this assessment area is consistent with its overall performance; however, lending activity does not represent a significant volume of the bank's overall loan originations. During 2010 and 2011 combined, 1 percent (by number and dollar

volume) of NSB's home mortgage lending within its Pennsylvania assessment areas was within this assessment area. This volume is considered adequate given the number of branches, census tracts, housing units, households, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

The bank did not originate any community development loans within this assessment area during the evaluation period.

The bank does not have any innovative or flexible lending programs specifically targeted toward this assessment area. The government-related flexible lending programs discussed earlier in this evaluation are also available within this assessment area.

INVESTMENT TEST

No qualified investments or donations were made within this assessment area. While the bank's presence within this market is limited, opportunities to promote community development through the use of qualified investments and donations are available. NSB exhibits poor responsiveness to the credit and community development needs of this area.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of this assessment area. The bank operates one of its Pennsylvania branch offices within this assessment area. During the evaluation period, the bank did not open or close any office within this area. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, individuals, and businesses. The bank provides a relatively high level of community development services within the State of Pennsylvania; however, no specific community development services have been identified for this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN YOUNGSTOWN-WARREN-BOARDMAN PA-OH MSA

The Youngstown-Warren-Boardman PA-OH MSA assessment area consists of 34 census tracts all within Mercer County. According to 2000 U.S. Census data, the assessment area consists of 3 (9 percent) low-income census tracts, 7 (20 percent) moderate-income census tracts, 22 (65 percent) middle-income census tracts, and 2 (6 percent) upper-income census tracts. Of all bank offices located in Pennsylvania, 2 are within the Youngstown-Warren PA-OH MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN YOUNGSTOWN-WARREN-BOARDMAN PA-OH MSA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with its overall performance in this criterion; however, lending activity does not represent a significant volume of the bank's overall loan originations. During 2010 and 2011 combined, 2 percent (by number) and 1 percent (by dollar volume) of NSB's home mortgage lending within its Pennsylvania assessment areas was within this assessment area. This volume is considered adequate given the number of branches, census tracts, housing units, households, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

The bank did not originate any community development loans within this assessment area over the review period.

The bank does not have any innovative or flexible lending programs specifically targeted toward this assessment area. Government-related flexible lending programs discussed earlier in this evaluation are also available within this assessment area.

INVESTMENT TEST

No qualified investments or donations were made within this assessment area. While the bank's presence within this market is limited, opportunities to promote community development through the use of qualified investments and donations are available. NSB exhibits a poor responsiveness to the credit and community development needs of this area. This performance compares unfavorably to the bank's overall performance within Pennsylvania and overall for this particular test.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of this assessment area. The bank operates two of its Pennsylvania branch offices within this assessment area. During the evaluation period the bank did not open or close any offices within this area. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, individuals, or businesses. The bank provides a relatively high level of community development services within the State of Pennsylvania; however, no specific community development services have been identified for this assessment area.

STATE OF NEW YORK

CRA RATING FOR NEW YORK²:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Satisfactory

Low Satisfactory

Low Satisfactory

Low Satisfactory

The bank's CRA rating for New York is consistent with the overall CRA rating overall and the State of Pennsylvania; however, the component rating for the Service Test was rated Low Satisfactory, which is lower than the component rating assigned overall and to the State of Pennsylvania. The component ratings assigned to the Lending and Investment Tests were the same. As previously mentioned, the bank's performance within the State of Pennsylvania is given more weight than that within New York.

The Cattaraugus-Chautauqua Non MSA assessment area received the most weight when arriving at the overall rating for the State of New York.

SCOPE OF EXAMINATION

The bank's HMDA, small business, and small business loans secured by residential real estate originated during 2010, and the first six months of 2011, in the State of New York were evaluated. Few small farm loans were originated within this state. Community development loans, innovative and flexible lending programs, qualified investments and donations, and services were reviewed since the previous evaluation. Because lending by number and dollar volume during the review period within New York comprises 10 percent or less of total loans by number and dollar volume, the information provided in this section of the evaluation is somewhat abbreviated.

As noted previously, the bank has designated three assessment areas (two MSAs and one Non-MSA area) within New York. A full-scope review was performed only for the Non-MSA area, as the number and dollar volume of originations and number of bank offices are the most significant. Detailed information regarding each of these three assessment areas was provided earlier in table format under the Description of the Assessment Area section of the evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

The bank's New York assessment area consists of 543 census tracts and encompasses 5 counties (Cattaraugus, Chautauqua, Erie, Niagara, and Monroe). Of the 543 tracts, 72 (13 percent) are low-income, 103 (19 percent) are moderate-income, 240 (44 percent) are middle-income, and 114 (21 percent) are upper-income. This area also includes 14 (3 percent) census tracts for which no demographic data is available, the result of limited or no population.

²For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

The population of the New York assessment area is 2.1 million. The area is comprised of 842 thousand households and 547 thousand families. Of the families, 8 percent, 14 percent, 49 percent, and 29 percent reside within low-, moderate, middle- and upper-income census tracts. The distribution of households is similar. The distribution of families according to the income of the family is presented in table format under the Borrower Distribution section of the evaluation. The total number of housing units within the New York assessment area is 921 thousand, of which, 61 percent are owner-occupied, 31 percent are occupied rental units, and 8 percent are vacant. The distribution of the owner-occupied units within the different income level census tracts is provided later within the evaluation. The median age of housing stock of the assessment area is 41 years, with a median housing value of \$96 thousand.

According to the 2010 business data derived from D&B, there are approximately 119 thousand non-farm businesses located in the bank's New York assessment area. Approximately 75 percent of these businesses reported revenues of \$1 million or less, and are therefore considered "small businesses" for the purposes of CRA. A further breakdown indicates that 70 percent of the businesses earn revenues less than \$500 thousand. Approximately 78 percent of the non-farm businesses are located in upper- and middle- income census tracts, while 9 percent and 13 percent are located in low- and moderate-income census tracts, respectively.

The bank operates in a highly competitive environment for home mortgage loans with numerous mortgage companies, larger regional financial institutions, and other financial intermediaries. During 2010, the bank captured approximately 1 percent of the market by number and dollar volume and was ranked 17th out of 271 financial intermediaries that are required to report residential mortgage loans pursuant to HMDA. HSBC Mortgage Corp, M&T Bank, and Wells were the top three market share holders, with close to 30 percent of the market by number and dollar volume.

A large number of financial intermediaries also competed for small business loans within the bank's assessment areas during 2010. Based upon information reported pursuant to CRA, approximately 66 financial intermediaries competed for small business loans. AMEX, GE Money Bank, and HSBC Bank USA, NA dominated, with close to 50 percent of the market by number. Six of the top 10 market share holders (by number) originated loans with an average loan amount of approximately \$10 thousand. NSB was ranked 22nd with approximately 1 percent of the market by number and dollar. NSB's average loan amount was \$158 thousand.

NSB operates 19 (11 percent) of its 172 offices in New York. Since the previous evaluation, two new offices located within the bank's New York assessment areas were opened. As a result of the opening of one of the offices, an entire county was added to the bank's assessment area. No offices were closed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK

LENDING TEST

Lending Activity

The bank's lending levels for this assessment area are considered adequate, which is consistent with the bank's overall performance under this criterion. During 2010 and 2011 combined, 7 percent (by number) and 6 percent (by dollar volume) of the bank's total home mortgage loans were extended within the New York State assessment areas. As stated previously, the vast majority of the bank's small farm loans were originated within Pennsylvania.

Geographic Distribution

HMDA Lending

The geographic distribution of home mortgage loans within this assessment area reflects an adequate penetration of census tracts of different income levels. This is consistent with the bank's overall geographic performance. Table 49 shows the bank's home mortgage lending within New York.

Table 49 - Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	4	2	5	1	3	2	8	1
Moderate	12	8	25	5	12	6	37	5
Middle	53	49	365	70	127	68	492	70
Upper	31	41	123	24	44	24	167	24
\$0/NA Income	0	0	0	0	0	0	0	0
Total	100	100	518	100	186	100	704	100

.Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

During the review period, the bank originated 1 percent of its home mortgage loans in the state within low-income geographies. This level of lending is below the percentage of owner-occupied housing units situated within these tracts, but is only slightly below that of reporting lenders in the aggregate (2 percent). Additionally, the percentage of originations increased slightly to 2 percent for 2011.

During the review period, the bank originated 6 percent of total home mortgage loans within moderate-income tracts. This performance falls well below the percentage of owner-occupied housing units situated within these tracts. Additionally, the percentage of home mortgage loans extended by NSB during 2010 is below that of reporting aggregate lenders for the same time period; a slight improvement is noted for 2011.

Area competition impacts the bank's ability to penetrate low- and moderate-income tracts. As previously indicated, NSB captured approximately 1 percent of the overall home mortgage market within this assessment area during 2010. While competition is a contributing factor to the bank's successful penetration of these lower-income areas, the lack of flexible and innovative products specifically geared toward the specific credit needs of low- and moderate-income census tracts and individuals within this assessment area also impaired the bank's ability to lend within these areas.

Small Business Loans

The geographic distribution of small business loans within this assessment area reflects adequate penetration of the census tracts of different income levels and is consistent with the bank's overall geographic performance. Table 50 shows the bank's small business lending within the New York State assessment areas.

Table 50 - Distribution of Small Business Loans by Income Category of the Census Tract (State NY)							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
Low	6	8	9	1	3	9	7
Moderate	12	18	19	5	17	23	19
Middle	46	53	57	19	63	72	59
Upper	34	14	15	5	17	19	15
\$0/NA Income	2	0	0	0	0	0	0
Total	100	93	100	30	100	123	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

NSB originated 7 percent of total small business loans within low-income census tracts during the review period. The bank's performance during 2010 was reflective of demographic data, which indicate that 9 percent of the non-farm business establishments are located within low-income tracts. Additionally, NSB's performance during this time period exceeded that of reporting lenders in the aggregate (6 percent). The percentage of small business loans originated by the bank within these tracts did decline to 3 percent in 2011.

The bank originated 19 percent of total small business loans within moderate-income tracts during 2010 and 2011 combined. The bank's 2010 performance exceeds that of reporting lenders in the aggregate (12 percent). NSB's penetration of these moderate-income tracts exceeds the percentage of businesses located within these areas (13 percent).

Small Business Loans Secured by Residential Real Estate

The geographic distribution of small business loans secured by residential real estate within this assessment area reflects an adequate penetration of census tracts of different income levels and is consistent with the bank's overall performance in this criterion. During 2010, the bank extended 9 percent and 15 percent of its small business loans secured by residential real estate within low- and moderate-income tracts, respectively. As previously indicated, 9 percent and 13 percent of the non-farm business establishments are located within these respective income category tracts.

During 2011, the percentage of loans originated within low-income tracts increased while the percentage within moderate-income tracts declined. Specifically, the bank originated 14 percent and 5 percent of small business loans secured by residential real estate within low- and moderate-income tracts, respectively.

Borrower Characteristics

HMDA Lending

The bank's distribution of home mortgage loans over the review period reflects an adequate penetration among borrowers of different income levels and is consistent with the bank's overall performance for this type of lending in this criterion. Table 51 displays the distribution home mortgage lending for the bank and reporting aggregate lenders, as well as applicable demographic data.

Table 51 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	20	9	28	5	10	5	38	5
Moderate	18	22	80	16	38	20	118	17
Middle	22	23	133	26	47	25	180	26
Upper	40	34	261	50	83	45	344	49
\$0/NA Income	0	12	16	3	8	5	24	3
Total	100	100	518	100	186	100	704	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

NSB originated 5 percent of its home mortgage loans to low-income borrowers during both 2010 and 2011. This level of lending is below that of reporting lenders in the aggregate (9 percent) during 2010. Additionally, the bank's level of lending is not in line with demographic data: 20 percent of total families are considered low-income, with approximately 9 percent of these families earning income at a level at or below the poverty threshold. This performance is attributable to a number of factors, including a lack of flexible and innovative lending programs geared specifically toward meeting the credit needs of low-income individuals and low overall lending levels in New York due to heavy competition.

During the review period, the bank originated 17 percent of home mortgage loans to moderate-income borrowers. This performance is only slightly below the percentage of moderate-income families indicated by demographic data. The percentage of originations to moderate-income individuals during 2010 is below that of reporting lenders in the aggregate; however, improvement is noted in 2011.

Small Business Loans

The overall distribution of small business loans reflects a good penetration among businesses of various sizes and is consistent with the bank's overall performance in this type of lending. Tables 52 and 53 support this conclusion.

Table 52 - Distribution of Small Business Loans by GARs of Business							
GARs (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$1,000	30	61	66	30	100	91	74
> \$1,000 or NA	70	32	34	0	0	32	26
Total	100	93	100	30	100	123	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

During 2010, the bank originated 66 percent of its small business loans to businesses with GARs of \$1 million or less. This compares favorably to the 30 percent extended by reporting lenders in the aggregate during the same time period. Additionally, all small business loans originated during 2011 were to businesses with GARs of \$1 million or less. This compares favorably to demographic data, which shows that 75 percent of the businesses within New York reported revenues of \$1 million or less.

Table 53 - Distribution of Small Business Loans by Loan Size							
Loan Size (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$100	91	48	52	17	56	65	53
> \$100 ≤ \$250	5	30	32	8	27	38	31
> \$250 ≤ \$1,000	4	15	16	5	17	20	16
Total	100	93	100	30	100	123	100

Source: CRA data collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

During 2010, the bank originated 52 percent of its small business loans in amounts of \$100 thousand or less in New York; 32 percent of such loans were in amounts between \$100 thousand and \$250 thousand. Reporting lenders in the aggregate extended 91 percent and 5 percent of small business loans in these respective loan categories. The average loan amount of 6 of the top 10 top market share holders (by number) was less than \$10 thousand. Many of the small business loans originated by these financial intermediaries consist of business credit cards. NSB does not have a large small business credit card portfolio; the average loan amount extended during 2010 was \$158 thousand, which is more representative of traditional small business lending. In addition, the bank's performance compares favorably for business demographic data. Specifically, based upon information published by D&B, 70 percent of the businesses in the combined New York assessment areas earn income of \$500 thousand or less and the bank originated the majority of its loans in amounts of less than \$250 thousand during both 2010 and 2011.

Small Business Loans Secured by Residential Real Estate

The distributions of small business loans secured by residential real estate by GARs of the business and by loan size are similar to the bank's overall performance in these types of lending and reflect adequate penetration of businesses of varying sizes.

Community Development Loans

Specific details of the community development loans originated since the previous evaluation were provided earlier. In the combined New York assessment areas, community development lending is adequate and consistent with that of the bank overall.

Innovative and Flexible Lending Practices

The bank makes little use of flexible or innovative lending practices within this state. No flexible or innovative lending programs specifically targeted toward this area are in place. The government-related flexible lending programs previously discussed are also available within these assessment areas.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within the New York assessment areas overall. Investments are neither innovative nor flexible, and are routinely available.

Five percent of community development donations were extended within this area. Additionally, approximately 12 percent of the qualified investments made during prior evaluation periods within New York remain on the bank's books.

SERVICE TEST

The bank's delivery systems are reasonably accessible to essentially all portions of the bank's New York assessment areas. The bank operates 19 (11 percent) of its branch offices within New York. Of these, 2 (11 percent) are located within low-income census tracts, 9 (47 percent) are located within middle-income census tracts, 7 (37 percent) are located within upper-income census tracts, and 1 (5 percent) is located within a census tract for which no demographic information is available, usually the result of limited or no population. No offices are located within moderate-income tracts. During the evaluation period, the bank opened two offices within the state. One of the new offices is located in a middle-income census tract, while the other is located in an upper-income census tract. To the extent that changes have been made within the New York assessment areas, the institution's opening of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals and businesses. Products and services available in New York are similar to those offered overall.

The bank's services and business hours do not vary in a way that inconveniences certain portions of the New York assessment areas, particularly low- and moderate-income geographies and individuals. The bank provides an adequate level of community development services within the State of New York. Specific community development services are discussed under each respective assessment area.

NON-METROPOLITAN ASSESSMENT AREA RECEIVING FULL-SCOPE REVIEW – NEW YORK

The following details the non-metropolitan assessment area within New York that received a full-scope review for this evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CATTARAUGUS-CHAUTAUQUA NON-MSA AREAS

The Non-MSA assessment area of New York consists of 55 census tracts, all within the counties of Cattaraugus and Chautauqua. According to 2000 U.S. Census data, the assessment area consists of 3 (5 percent) low-income census tracts, 8 (15 percent) moderate-income census tracts, 40 (73 percent) middle-income census tracts, and 4 (7 percent) upper-income census tracts. It is also important to note that the majority of the census tracts located within Cattaraugus County (16 tracts) are designated as distressed or underserved nonmetropolitan tracts.

The bank operates in a highly competitive environment for home mortgage loans, with numerous mortgage companies, larger regional financial institutions, and other financial intermediaries. During 2010, the bank competed with approximately 100 lenders that reported home mortgage loans pursuant to HMDA. During this time period, the bank captured 10 percent of the home mortgage market and was ranked 2nd by number and dollar volume. Community Bank, NA and HSBC Mortgage Corporation were ranked 1st and 2nd, respectively, in regards to market share. Community Bank, NA dominated the market and captured 32 percent (by number) and 21 percent (by dollar volume).

Based upon information reported pursuant to CRA, NSB competed with approximately 35 financial intermediaries for small business loans during 2010 within this particular assessment area. GE Money Bank, Community Bank, NA, and AMEX, were the top three market share holders by number. The average loan amount extended was \$10 thousand or less by 6 of the financial intermediaries within the top 10 market share holders by number. This is an indication that many of these loans are business credit card transactions. NSB was ranked 14th, with less than 2 percent of the market by number and dollar. During 2010, NSB's average loan amount was \$132 thousand.

Of all bank offices in New York, 6 or 32 percent are located within the Cattaraugus-Chautauqua Non-MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CATTARAUGUS-CHAUTAUQUA NON-MSA AREAS

LENDING TEST

Lending Activity

The bank's level of lending within this assessment area is adequate and is consistent with that of the bank overall. During 2010 and 2011, 52 percent (by number) and 51 percent (by dollar) of home mortgage loans originated within New York were within this assessment area. This volume of lending is considered adequate given the number of branches, census tracts, housing units, families, and businesses located within this assessment area.

Geographic Distribution

HMDA Lending

The geographic distribution of home mortgage loans within this assessment area reflects an adequate penetration of census tracts of different income levels and is consistent with the bank's overall geographic performance. Table 54 depicts the bank's home mortgage lending within this Non-MSA area.

Table 54 - Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2010		2011		Total	
			2010	#	%	#	%	#
Low	1	0		1	0	2	2	3
Moderate	10	6		10	4	2	2	12
Middle	85	88		243	92	91	89	334
Upper	4	6		9	4	7	7	16
\$0/NA Income	0	0		0	0	0	0	0
Total	100	100		263	100	102	100	365

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

The bank originated one loan in 2010 within a low-income geography; 2 loans were originated by NSB within low-income tracts during 2011. The bank's performance during 2010 is consistent with that of reporting lenders in the aggregate. The bank's overall level of lending within these tracts during the review period is also consistent with demographic data.

The percentage of loans originated by NSB within moderate-income tracts during 2010 is slightly below that of reporting lenders in the aggregate. The bank's performance is also not consistent with demographic data regarding owner-occupied housing units in these tracts. The percentage of loans originated by NSB within moderate-income areas declined from 2010 to 2011.

While the bank was ranked within the top 5 home mortgage lenders within this assessment area during 2010, it failed to penetrate the 8 moderate-income tracts at a level commensurate with reporting lenders in the aggregate and demographics. This appears to be primarily attributable to the lack of flexible and innovative lending programs provided by the bank, specifically programs targeted toward the credit needs of lower-income census tracts within this particular assessment area.

Small Business Loans

The geographic distribution of small business loans within this assessment area reflects an adequate penetration of census tracts of different income levels and is consistent with the bank's overall geographic performance. Table 55 depicts the bank's small business lending within this assessment area.

Table 55 - Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#
Low	4	4	10	1	9	5	10
Moderate	12	1	3	0	0	1	2
Middle	78	31	79	10	91	41	82
Upper	6	3	8	0	0	3	6
\$0/NA Income	0	0	0	0	0	0	0
Total	100	39	100	11	100	50	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

NSB originated 10 percent and 9 percent of its small business loans within low-income census tracts during 2010 and 2011, respectively. This performance compares favorably to that of aggregate reporting lenders and to business demographics. Based upon information published by D&B, 5 percent of the non-farm business establishments are located within low-income tracts.

The bank's penetration of moderate-income level tracts is, however, considered poor. Only 3 percent of total small business loans were extended within these tracts in 2010, and no such loans were granted within moderate-income tracts in 2011. As previously mentioned, the lack of flexible and innovative programs specifically geared toward meeting the credit needs of lower-income level geographies is a primary cause for this lending performance.

Overall, NSB's geographic distribution of small business loans is adequate considering the bank's performance within low-income tracts and the fact that NSB is not a major competitor for small business loans within this assessment area.

Small Business Loans Secured by Residential Real Estate

The geographic distribution of small business loans secured by residential real estate within this assessment area reflects an adequate penetration of census tracts of different income levels and is consistent with the bank's overall performance within the State of New York. A detailed presentation is not included within this section since the performance is so similar to that of New York overall.

Borrower Characteristics

HMDA Lending

The bank's distribution of home mortgage loans during the review period reflects an adequate penetration among borrowers of different income levels and is consistent with the bank's overall performance for this type of lending. Table 56 displays the distribution of the bank's home mortgage loans in this assessment area.

Table 56 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	19	9	16	6	6	6	22	6
Moderate	20	20	37	14	18	18	55	15
Middle	24	24	61	23	27	26	88	24
Upper	37	40	136	52	47	46	183	50
\$0/NA Income	0	7	13	5	4	4	17	5
Total	100	100	263	100	102	100	365	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

During both 2010 and 2011, the bank originated 6 percent of total home mortgage loans to low-income borrowers. The bank's 2010 level of lending to low-income borrowers is below that of aggregate reporting lenders during the same time period and is consistent with demographics.

During 2010, the bank originated 14 percent of its total home mortgage loans to moderate-income borrowers. This is below the 20 percent extended to these individuals by reporting lenders in the aggregate. Also, the bank's performance during 2010 is not consistent with demographic data. During 2011, however, the percentage of loans to moderate-income borrowers increased to 18 percent, which is more representative of area demographics.

The bank is ranked within the top 5 originators of home mortgage loans by number during 2010 and as such has the capacity to serve the credit needs of lower-income borrowers. As previously noted, the lack of lending to lower-income borrowers appears to be primarily attributable to the fact that no innovative or flexible lending programs have been specifically targeted toward the credit needs of this assessment area. The bank's overall performance in this criterion is considered adequate, however, given the improvement in lending to moderate-income borrowers in 2011.

Small Business Loans

The overall distribution of small business loans reflects adequate penetration of businesses of various sizes and is consistent with the overall performance of the bank for this type of lending. Tables 57 and 58 provide information to support this conclusion.

Table 57 - Distribution of Small Business Loans by GARs of Business							
GARs (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$1,000	33	31	79	11	100	42	84
> \$1,000 or NA	67	8	21	0	0	8	16
Total	100	39	100	11	100	50	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

During 2010, the bank originated 79 percent of its small business loans to businesses with GARs of \$1 million or less. This compares favorably to the 33 percent extended to businesses earning this revenue level by reporting lenders in the aggregate during the same time period.

Additionally, all of the small business loans originated during 2011 were to businesses earning GARs of \$1 million or less. The bank's overall performance compares favorably to business demographics published by D&B. Specifically, approximately 75 percent of the businesses within this assessment area reported revenues of \$1 million or less.

The bank's distribution of small business loans by loan size reflects adequate penetration among businesses of different sizes, with approximately 86 percent of the loans originated in amounts less than or equal to \$250 thousand during the review period.

Table 58 - Distribution of Small Business Loans by Loan Size							
Loan Size (000s)	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
≤ \$100	93	23	59	5	50	28	56
> \$100 ≤ \$250	4	11	28	4	36	15	30
> \$250 ≤ \$1,000	3	5	13	2	18	7	14
Total	100	39	100	11	100	50	100

Source: CRA data collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

During 2010, the bank originated 59 percent of its small business loans in amounts of \$100 thousand or less; 28 percent were in amounts between \$100 thousand and \$250 thousand.

Reporting lenders in the aggregate extended 93 percent and 4 percent of small business loans in these respective loan amounts. As previously indicated, the average loan amount of 6 of the top

10 top market share holders (by number) was less than \$10 thousand. Many of the small business loans originated by these financial intermediaries consist of business credit cards. NSB does not have a substantial small business credit card portfolio. The average small business loan amount extended by the bank was \$158 thousand during 2010, which is more representative of traditional small business loans.

When compared to business demographics, the bank's performance compares favorably. Specifically, based upon information published by D&B, 72 percent of the businesses earn income of \$500 thousand or less while the bank originated 87 percent of loans in amounts of less than or equal to \$250 thousand.

Small Business Loans Secured by Residential Real Estate

The distribution of small business loans secured by residential real estate among businesses of different sizes in this assessment area is similar to that of the State of New York. A detailed presentation is not included within this section because of this similarity.

Community Development Loans

Specific details of the community development loans originated since the previous evaluation were provided earlier. The bank's level of community development lending in this assessment area is adequate.

Flexible and Innovative Lending Practices

The bank makes little use of flexible or innovative lending practices within this assessment area. While the government-related flexible lending programs previously discussed are also available within this assessment area, no programs specifically targeted toward this area are in place. This performance is consistent with that of New York overall.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within this assessment area. Investments are neither innovative nor flexible, and are routinely available.

No new qualified investments were made within this assessment area during the review period. Approximately 4 percent of total community development donations were to organizations located within this area.

SERVICE TEST

The bank's delivery systems are reasonably accessible to essentially all portions of the Non-MSA areas of the Cattaraugus-Chautauqua assessment area. The bank operates 6 (32 percent) of its New York branch offices within this assessment area. One office is located within low-income tracts and no offices are situated within moderate-income areas. Low- and moderate-income census tracts comprise 5 percent and 15 percent, respectively, of the total tracts within

this assessment area. During the evaluation period, no offices were opened or closed within this assessment area. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies, individuals, and businesses. The bank provides a relatively high level of community development services within this assessment area. Examples of these are discussed below.

A bank employee continues to serve on the board of an area home rehabilitations and improvement corporation whose primary focus is to provide loans and grants to low- and moderate-income individuals for housing. In her capacity, this employee participated in several first-time homebuyer seminars conducted by the organization.

One of the bank's commercial loan officers serves on the loan committee of a local industrial development organization whose mission is to ensure that the local environment is positioned to attract businesses to the region and assist existing local businesses in expansion efforts. This same individual also serves as a board member and finance committee co-chairman of another area development corporation, which acts as a catalyst for the development and marketing of the downtown area, which is the regional hub for Chautauqua County.

Another of the bank's local office managers serves as a board member of a chapter of a nationwide organization that serves the needs of disadvantaged youths. This same individual also conducts financial awareness classes at a local high school.

The bank's compliance officer is also very active in providing community development services within this assessment area. In one position, he serves on the advisory board of a local foundation whose current projects include the revitalization of the downtown Jamestown area, including façade rehabilitations. These efforts are specifically targeted to improve the climate of the business community by improving key intersections, as well as the ongoing efforts involving a river walk. In a further capacity, he has also been appointed as an advisory board member to a newly established county housing trust fund. The purpose of the fund is to oversee the legislature-approved and matching funds and to determine how best to spend these monies to improve the housing situation within Chautauqua County.

The bank services residential mortgage loans for several chapters of Habitat for Humanity throughout several states, including the Chautauqua County chapter in the State of New York.

METROPOLITAN ASSESSMENT AREAS RECEIVING LIMITED-SCOPE REVIEW – NEW YORK

The following details the two MSA assessment areas within New York that received limited-scope reviews for this evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BUFFALO-NIAGARA FALLS MSA

The Buffalo-Niagara Falls MSA assessment area consists of 302 census tracts. This area contains two counties (Erie and Niagara Counties) within the Buffalo-Niagara Falls MSA. According to 2000 U.S. Census data, the assessment area consists of 32 (10 percent) low-income census tracts, 63 (21 percent) moderate-income census tracts, 137 (45 percent) middle-income census tracts, and 59 (20 percent) upper-income census tracts. This area also includes 11 (4 percent) census tracts for which no demographic data is available, usually the result of limited or no population residing within these tracts.

Of the total New York branch offices, the bank operates 8 offices or 42 percent within the Buffalo-Niagara Falls MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BUFFALO-NIAGARA FALLS MSA

LENDING TEST

The bank's lending levels reflect adequate responsiveness to assessment area credit needs which is consistent with its overall performance within the State of New York. During 2010 and 2011, 33 percent (by number) and 35 percent (by dollar) of the total HMDA loans originated within New York were within this assessment area. This volume is adequate given the number of branches, census tracts, housing units, households, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

Specific details of the community development loans originated since the previous evaluation were provided earlier. Within this assessment area, the bank made an adequate level of community development loans.

The bank makes little use of flexible and innovative lending practices within this assessment area. While the government-related flexible lending programs previously discussed are also available within this area, no programs specifically targeted toward this area are in place.

INVESTMENT TEST

No qualified investments or donations were made within this assessment area. The mortgage-backed security purchased during the prior evaluation is backed by a significant number of mortgages originated to low- and moderate-income borrowers within Erie County, New York.

While the bank receives credit for previously purchased investments, the lack of any new qualified investments or donations demonstrates that NSB exhibits a poor responsiveness to the credit and community development needs of this area considering its branch distribution and overall performance context.

SERVICE TEST

The bank's delivery systems are reasonably accessible to essentially all portions of this assessment area. The bank operates 8 (42 percent) of its New York branch offices within this assessment area. Of these offices, none are located within low- or moderate-income tracts. Many of the tracts within this assessment area that are designated low- or moderate-income are located in the City of Buffalo. The bank does operate one branch office within Buffalo, New York; however, the income designation of the tract was unknown and only four people resided within this geography based upon information obtained from the Federal Financial Institution Examination Council (FFIEC). This tract is, however, surrounded by low- and moderate-income areas. During the evaluation period, the bank opened one office within a middle-income tract. No offices were closed within this assessment area. To the extent changes have been made, the bank's opening of offices has generally not adversely affected the accessibility of the delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals or businesses. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and individuals. The bank provides an adequate level of community development services within the State of New York; however, no specific community development services have been identified for this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ROCHESTER MSA

The Rochester MSA assessment area consists of 186 census tracts, all within Monroe County. According to 2000 U.S. Census data, the assessment area consists of 37 (20 percent) low-income census tracts, 32 (17 percent) moderate-income census tracts, 63 (34 percent) middle-income census tracts, and 51 (27 percent) upper-income census tracts. This area also includes three (2 percent) census tracts for which no demographic data is available, usually the result of limited or no population. Of the total New York offices, 5 or 26 percent are located within the Rochester MSA assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ROCHESTER MSA

LENDING TEST

The bank's Lending Test performance in this assessment area is adequate and consistent with lending overall performance within the State of New York. During 2010 and 2011, 15 percent (by number) and 14 percent (by dollar) of total HMDA loans originated within New York were extended within this assessment area. Volume is considered adequate given the number of branches, census tracts, housing units, and businesses in this assessment area. No additional analysis of lending was performed relative to this assessment area.

The bank did not originate any community development loans within this assessment area. This performance is below the bank's overall and State of New York performance for this criterion.

The bank does not have any innovative or flexible lending programs specifically targeted toward this assessment area. The government-related flexible lending programs discussed earlier in this evaluation are also available within this assessment area.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within this assessment area. Investments are neither innovative nor flexible, and are routinely available.

No qualified investments were made within this assessment area. Approximately 2 percent of total community development donations were to organizations located within this area. Additionally, qualified mortgage-backed securities purchased during the previous evaluation period remain on the bank's books. Refer to the Investment Test portion of the evaluation that relates to the entire assessment area for additional information.

SERVICE TEST

The bank's delivery systems are reasonably accessible to essentially all portions of this assessment area. The bank operates 5 (26 percent) of its New York branch offices within this assessment area. Of these offices, one is located within a low-income tract. No offices are located within moderate-income tracts. Low- and moderate-income tracts comprise 20 percent and 17 percent of the assessment area tracts. During the evaluation period, the bank opened one new office within an upper-income census tract within this assessment area. No offices were closed. To the extent that changes have been made within the this assessment area, the institution's opening of one branch has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals or businesses. The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and individuals. The bank provides an adequate level of community development services within the State of New York; however, no specific community development services have been identified for this assessment area.

STATE OF MARYLAND

CRA RATING FOR MARYLAND³:

The Lending Test is rated:

Satisfactory

The Investment Test is rated:

Low Satisfactory

The Service Test is rated:

Low Satisfactory

Low Satisfactory

The bank's overall CRA rating for Maryland is consistent with the overall CRA rating; however, the bank's performance for the Service Test component was accorded a rating of Low Satisfactory as opposed to the High Satisfactory accorded overall. The rating for the Investment Test for Maryland of Low Satisfactory is supported by the level of qualified investments made during the previous evaluation period that remain on the bank's books and qualified new donations. No new qualified investments were made within this assessment area since the prior evaluation. As previously mentioned, the bank's performance within the State of Pennsylvania is given more weight than that within Maryland.

SCOPE OF EXAMINATION

The bank's HMDA and small business lending activity for 2010 and first six months of 2011 was evaluated. There were no small farm loans originated in Maryland during this evaluation period. Data collected by the bank for other small business loans secured by residential real estate is not included, as the numbers are insignificant for this assessment area. Community development loans, flexible and innovative lending programs, qualified investments and donations, and services were reviewed from the previous evaluation through the current evaluation period.

As noted earlier, the bank designated only one assessment area within this state (Baltimore-Towson MSA). A full-scope review was performed for this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MARYLAND

This assessment area contains four counties within the Baltimore-Towson Maryland MSA and includes Anne Arundel, Baltimore, Howard County, and Baltimore City. According to 2000 U.S. Census data, the assessment area consists of 78 (15 percent) low-income census tracts, 126 (23 percent) moderate-income census tracts, 196 (36 percent) middle-income census tracts, and 135 (25 percent) upper-income census tracts. This area also includes five (one percent) census tracts for which no demographic data is available, usually the result of limited or no population. Specific detail regarding 2010 business data derived from D&B is provided within the conclusion section of the evaluation as deemed necessary.

NSB operates 5 (3 percent) of its 172 offices in Maryland. In addition, 2 percent of the approximate 300 ATMs are located within Maryland.

³For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

The bank operates in a highly competitive environment for home mortgage loans with numerous mortgage companies, larger regional financial institutions, and other financial intermediaries. During 2010, the bank captured less than half a percent of the home mortgage market by number and dollar volume. Wells and Bank of America, NA captured 15 percent and 8 percent of the market by number, respectively, during the same time period.

Based upon information reported pursuant to CRA, close to 100 financial intermediaries competed for small business loans during 2010. AMEX dominated the market by number and captured 34 percent of the small business loans originated during this time period. As previously indicated for the other assessment areas, many of the top market share holders by number specialize in the origination of business credit cards in small dollar amounts, typically less than \$10 thousand. NSB captured an insignificant portion of the small business market. The bank's average loan size was approximately \$350 thousand during 2010.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MARYLAND

The bank's performance within the Baltimore-Towson MSA is discussed in the following section of this report.

METROPOLITAN ASSESSMENT AREA RECEIVING FULL-SCOPE REVIEW – BALTIMORE-TOWSON MARYLAND MSA

The following details the one MSA assessment area that received a full-scope review within Maryland.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BALTIMORE-TOWSON MSA

This MSA is the only area in Maryland designated as the bank's assessment area. Therefore, it is discussed under the description of the assessment area for the entire State.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BALTIMORE-TOWSON MSA

LENDING TEST

Lending Activity

The bank's lending activity reflects adequate responsiveness to assessment area credit needs. During 2010 and 2011, 1 percent by number and dollar of the both the total HMDA loans originated within the entire assessment areas combined were within this assessment area. This volume is considered adequate given the number of branches, census tracts, housing units, households, and businesses located within this area.

Geographic Distribution

HMDA Lending

The geographic distribution of home mortgage loans within this assessment area reflects an adequate penetration of census tracts of different income levels. This is consistent with the bank's overall geographic performance. Table 58 provides the bank's home mortgage lending within this assessment area.

Table 59 - Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	5	2	3	2	0	0	3	2
Moderate	18	11	17	12	9	25	26	15
Middle	39	37	46	34	14	39	60	35
Upper	38	50	71	52	13	36	84	48
\$0/NA Income	0	0	0	0	0	0	0	0
Total	100	100	137	100	36	100	173	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

The bank originated three loans (2 percent) within low-income geographies in 2010; however, no home mortgage loans were extended within these geographies in 2011. The bank's level of lending within low-income areas is below the percentage of owner-occupied housing units within these tracts. The bank's 2010 level of lending is consistent with that of reporting lenders in the aggregate for the same time period.

The bank originated 12 percent of home mortgage loans within moderate-income tracts during 2010, which is similar to the performance of reporting lenders in the aggregate. The percentage of NSB's lending within these tracts increased substantially in 2011. Over the review period, 15 percent of the home mortgage loans were extended within moderate-income tracts, which is only slightly below the percentage of owner-occupied housing units located within these areas.

Small Business Loans

The geographic distribution of small business loans within this assessment area reflects adequate penetration of census tracts of different income levels and is consistent with the bank's overall geographic performance. Table 60 provides the bank's small business lending within this assessment area.

Table 60 - Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	Aggregate Lending Data (% of #)	2010		2011		Total	
	2010	#	%	#	%	#	%
Low	3	1	5	0	0	1	5
Moderate	12	6	32	0	0	6	29
Middle	39	9	47	2	100	11	52
Upper	46	3	16	0	0	3	14
\$0/NA Income	0	0	0	0	0	0	0
Total	100	19	100	2	100	21	100

Source: CRA Data Collection (2010 and 1/1/11-6/30/11) and CRA Aggregate Data (2010)

During the review period, the bank originated 21 small business loans within this assessment area; 5 percent and 29 percent of the bank's small business loans were extended within low- and moderate-income tracts. This performance compares favorably to demographics which indicate that 6 percent and 17 percent of the non-farm business establishments are located within these respective tracts. Additionally, the percentage of loans originated within low- and moderate-income tracts during 2010 exceeds aggregate reporting lenders' performance within these areas. It is important to note, however, that the origination of one additional loan within a low- or moderate-income tract significantly affects the percentage distribution for these particular geographies due to the small number of total originations.

Borrower Characteristics

HMDA Lending

The bank's distribution of home mortgage loans during the review period reflects an adequate penetration among borrowers of different income levels and is consistent with the bank's overall performance. Table 61 displays the distribution of the bank's home mortgage loans.

Table 61 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	22	6	9	7	2	6	11	6
Moderate	18	17	22	16	7	19	29	17
Middle	22	20	29	21	10	28	39	22
Upper	38	39	74	54	17	47	91	53
\$0/NA Income	0	18	3	2	0	0	3	2
Total	100	100	137	100	36	100	173	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

The bank originated 6 percent of its home mortgage loans to low-income borrowers during the review period. This is below the 22 percent of low-income families within this assessment area, even when considering the 8 percent at or below the poverty threshold. The bank's 2010 performance does slightly exceed that of reporting lenders in the aggregate for the same time period.

During 2010 and 2011, the bank originated 16 percent and 19 percent of total home mortgage loans to moderate-income borrowers, respectively. The bank's performance during 2010 is only slightly below the percentage of loans originated by aggregate reporting lenders to moderate-income borrowers (17 percent) during the same time period. Also, the bank's performance during the review period is reasonable when compared to the percentage of families that earn income defined as moderate (18 percent).

Small Business Loans

The overall distribution of small business loans reflects an adequate penetration among businesses of different sizes and is consistent with the bank's performance overall for this type of lending. As previously indicated, only 21 small business loans were originated by NSB over the review period. The vast majority of these loans were to non-farm business establishments earning GARs of \$1 million or less. Additionally, close to 50 percent were in loan amounts of \$250 thousand or less; 62 percent of the businesses within the assessment area earned revenues of \$500 thousand or less.

Innovative and Flexible Lending Practices

The bank makes little use of flexible and innovative lending practices within this area. The government-related flexible lending programs previously discussed are also available within this area. In addition, since the previous evaluation, the bank became involved in the Baltimore County Small Business Lending Fund. This program helps provide financial assistance to businesses that operate in Baltimore County. The bank committed to fund \$500 thousand dollars under this program in August 2011. One loan was originated under this program since the previous evaluation. Involvement in this program, while limited to date, is an improvement since the prior evaluation.

Community Development Loans

The bank did not originate any community development loans within this assessment area. This performance is below the bank's overall performance for this criterion.

INVESTMENT TEST

NSB has an adequate level of qualified community development investments and grants within this assessment area. No qualified investments were made within this area and less than 1 percent of donations were provided to community development organization situated within this area. Of the qualified investments initiated during prior evaluation periods that remain on the bank's book, approximately 10 percent benefit organizations within this area.

SERVICE TEST

The bank's delivery systems are reasonably accessible to essentially all portions of the bank's Maryland assessment area. The bank operates five (3 percent) of its branch offices within Maryland. Of these, one office is located in a moderate-income census tract. Additionally two offices are located in middle- and upper-income census tracts, respectively. No offices are located within low-income tracts. During the evaluation period, no offices were opened or closed within this assessment area. Products and services available in Maryland are similar to those offered in other assessment areas. The bank's services and business hours do not vary in a way that inconveniences certain portions of this assessment area, particularly low- and moderate-income geographies, individuals, and businesses. The bank provides an adequate level of community development services. Examples of these community development services are discussed below.

A local office manager serves as an advisory board member to one of the area's major providers of mental health services. The focus of this advisory board is to provide the necessary information on mental health services that are available within the community, especially to low- and moderate-income families. This same individual also continues to serve on the board of a local Chamber of Commerce. The organization continues to promote the economic environment by attracting new businesses while allowing established businesses to prosper.

STATE OF OHIO

CRA RATING FOR OHIO⁴:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated

Satisfactory

Low Satisfactory

Low Satisfactory

Low Satisfactory

The bank's overall CRA rating for Ohio is consistent with the overall CRA rating; however, the Service Test component was accorded a rating of Low Satisfactory as opposed to that of High Satisfactory that was accorded overall. This Investment Test rating for Ohio is supported by the level of qualified investments made during the previous evaluation period that remain on the bank's books. The bank's responsiveness to the credit and community development needs of the assessment area is considered poor as no new qualified investments or donations were made within this assessment area since the prior evaluation. As previously mentioned, the bank's performance within the State of Pennsylvania is given more weight than that within this state.

SCOPE OF EXAMINATION

The bank's HMDA and small business lending activity for 2010 and first six months of 2011 was evaluated. There were no small farm loans originated in this assessment area during the evaluation period. Data collected by the bank for other small business loans secured by residential real estate is not included, as the numbers are insignificant for this assessment area. Community development loans, innovative and flexible lending programs, qualified investments and donations, and services were reviewed. The information provided regarding the bank's performance context and conclusions is limited considering that only 2 percent of the bank's branches are located within this state and minimal lending occurred within this area during the review period.

As noted earlier, the bank designated one assessment area (two counties within one MSA and one Non-MSA area) within Ohio. A full-scope review was performed within the combined Non-MSA areas of Ashtabula and Defiance, and the one MSA area (which includes Geauga and Lake Counties).

Lending within this assessment area represents 1 percent of the bank's total in-area home mortgage and 1 percent of total in-area small business lending during the review period.

⁴For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN OHIO

The bank's Ohio assessment area consists of 115 census tracts encompassing the counties of Geauga and Lake in MSA 17460 (Cleveland-Elyria-Mentor) and the Non-MSA counties of Ashtabula and Defiance. According to 2000 U.S. Census data, the assessment area consists of 7 (6 percent) moderate-income census tracts, 78 (68 percent) middle-income census tracts, and 30 (26 percent) upper-income census tracts. This area does not contain any low-income census tracts. NSB operates 4 (2 percent) of its 172 offices in Ohio.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN OHIO

The bank's performance within the one MSA and non-MSA assessment area combined is discussed in the following section of this report.

METROPOLITAN ASSESSMENT AREA RECEIVING FULL-SCOPE REVIEW - CLEVELAND-ELYRIA-MENTOR OHIO MSA AND NON-MSA AREA

The following details the one MSA and Non-MSA assessment area that received a full-scope review within Ohio.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CLEVELAND-ELYRIA-MENTOR AND NON-MSA AREA

This MSA and Non-MSA assessment area within Ohio is combined for this evaluation and is therefore also discussed under the State of Ohio portion of this performance evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CLEVELAND-ELYRIA-MENTOR AND NON-MSA AREA

LENDING TEST

Lending Activity

The bank's Lending Test performance within this assessment area is adequate. During 2010 and 2011, 1 percent of both total in-area home mortgage and small business loans were extended within this assessment area. This volume is proportionate to the percentage of branches, census tracts, housing units, households, and number of businesses located within this area.

Geographic Distribution

HMDA Lending

The geographic distribution of home mortgage loans within this assessment area reflects adequate penetration of census tracts of different income levels and is consistent with overall performance. As previously indicated, there are no low-income tracts within this assessment area. During 2010, a total of 65 home mortgage loans were originated by NSB. Of these loans, 8 percent were granted within moderate-income tracts. This performance compares favorably to that of lenders in aggregate for the same time period (2 percent) and the percentage of owner-occupied housing units within these tracts (4 percent). In 2011, a total of 19 home mortgage loans were originated by the bank. The percentage extended within moderate-income tracts declined to 5 percent. However, considering the few originations in 2011, this percentage is slightly skewed. Overall, the geographic distribution of home mortgage loans reflects good penetration throughout the assessment area.

Small Business Loans

The geographic distribution of small business loans within this assessment area reflects adequate penetration of census tracts of different income levels and is consistent with the bank's overall geographic performance. During the review period, 16 small business loans were originated. Of

these, 13 percent were extended within moderate-income tracts. The assessment area does not include any tracts designated as low-income. The bank's performance compared favorably to applicable demographic data and aggregate reporting lenders' performance.

Borrower Characteristics

HMDA Lending

The bank's distribution of home mortgage loans during the review period reflects an adequate penetration among borrowers of different income levels and is consistent with the bank's overall performance. Table 62 displays the distribution of the bank's home mortgage loans.

Table 62 - Distribution of HMDA Loans by Borrower Income								
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #)	2010		2011		Total	
		2010	#	%	#	%	#	%
Low	14	8	3	5	4	21	7	8
Moderate	18	19	9	14	1	5	10	12
Middle	24	23	18	28	2	11	20	24
Upper	44	38	32	49	9	47	41	49
\$0/NA Income	0	12	3	4	3	16	6	7
Total	100	100	65	100	19	100	84	100

Source: U.S. Census, HMDA Disclosure Statement (2010), HMDA-LAR (1/1/11-6/30/11) and HMDA Aggregate Data (2010)

During 2010, 5 percent of the home mortgage loans originated within this assessment area by the bank was extended to low-income individuals. This performance is below that of reporting lenders in the aggregate for the same time period. The percentage of loans originated to low-income borrowers increased to 21 percent in 2011. During the combined time period, 8 percent of total home mortgage loans were extended to low-income borrowers by NSB. This performance is adequate considering that 14 percent of the families earn income defined as low, with 5 percent of these families at or below the poverty threshold.

The bank's level of lending to moderate-income borrowers during the review period is below the percentage of families designated as such. In addition, the percentage of home mortgage loans originated by the bank during 2010 is below that of reporting lenders in the aggregate. The bank's performance is adequate considering area competition and that NSB is not a major home mortgage lender within this area.

It should also be noted that because of the low overall HMDA lending by the bank in this assessment area, the percentages included in the above analysis are not as pertinent as they would usually be.

Small Business Loans

The overall distribution of small business loans reflects adequate penetration among businesses of different sizes and is similar to the bank's performance overall for this type of lending. All small business loans originated by the bank were to businesses with GARs of \$1 million or less. This performance compares favorably to the 35 percent originated by reporting lenders in the aggregate to businesses earning the same level of revenue. Additionally, the bank's performance compares favorably to business demographics, which indicate that 78 percent of the businesses within the assessment area reported revenues at this level.

The majority (75 percent) of small business loans were extended in amounts of \$250 thousand or less, which also compares favorably to business demographics. Specifically, D&B data states that 74 percent of businesses in this assessment area earn revenues of \$500 thousand or less, while the bank originated a greater percentage of loans in amounts of less than or equal to \$250 thousand. As previously noted, however, few small business loans were originated by the bank within this assessment area and this has caused the noted percentages to be less pertinent than they generally would be in a lending analysis.

Flexible and Innovative Lending Practices

The bank makes little use of flexible and innovative lending practices within this assessment area. The government-related flexible lending programs previously discussed are also available within this area. In addition, the bank continues to be involved in the GrowNOW program, which helps retain and create jobs throughout the State of Ohio. Two loans originated under this program remain outstanding, but no new loans were extended under this program since the last evaluation.

Community Development Loans

Specific details of the community development loans originated since the previous evaluation were provided earlier. The level of community development lending in this assessment area is considered adequate and is consistent with the bank's overall performance for this criterion.

INVESTMENT TEST

The bank has an adequate level of qualified community development investments and grants in this assessment area, considering the volume of previously qualified investments that remain on the bank's books. Approximately 18 percent of the qualified investments initiated during prior evaluation periods remain on the bank's books and benefit community development organizations located within this state. The bank's responsiveness to the credit and community development needs of this area is considered poor overall, however, as no new qualified

investments or donation were made during the review period. Additionally, the institution rarely uses innovative and/or complex investments to support community development initiatives. The bank continues to operate four offices within this area and as such has the networking capability to access the needs of this area and the financial capacity to pursue such.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of the bank's Ohio assessment areas. The bank operates four (2 percent) of its branch offices within Ohio. Of these 4 offices, 2 (50 percent) are located within moderate-income census tracts, while the remaining 2 (50 percent) are located within middle-income census tracts. No offices were opened or closed within this assessment area during the evaluation period. Products and services available in Ohio are similar to those offered overall. The bank's services and business hours do not vary in a way that inconveniences certain portions of the Ohio assessment areas, particularly low- and moderate-income geographies and individuals.

The bank provides a limited level of community development services in this assessment area and is less favorable than performance within Pennsylvania as a whole and overall.

APPENDIX A

SCOPE OF EXAMINATION

NSB		
SCOPE OF EXAMINATION: NSB was examined in accordance with Large Bank CRA performance procedures.		
TIME PERIOD REVIEWED: HMDA and CRA loans originated during 2010 and the first six months of 2011 were reviewed. In addition, community development loans originated, qualified investments and donations made, and services provided from March 29, 2010, through October 3, 2011, were reviewed.		
PRODUCTS REVIEWED: HMDA- and CRA-reportable loans were reviewed. These loans included home purchase, refinances, and home improvement loans reported on the bank's HMDA-LAR. In addition, small business and farm loans reported on the bank's CRA Data Listing Report were included in the products reviewed. Furthermore, small business loans secured by residential real estate were reviewed since the bank collected this optional data.		
LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
Northwest Consumer Discount Company	Subsidiary	1-4 Residential Mortgage, Refinance, and Home Improvement Loans

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Non-MSA PA	Full Scope	One	NA
MSA 21500 –Erie-PA	Full Scope	None	NA
MSA 38300 –Pittsburgh-PA	Full Scope	None	NA
MSA 30140- Lebanon-PA	Limited Scope	None	NA
MSA 44300 –State College-PA	Limited Scope	None	NA
MSA 27780 –Johnstown-PA	Limited Scope	None	NA
MSA 29540 – Lancaster-PA	Limited Scope	None	NA
MSA 49620 – York/Hanover –PA	Limited Scope	None	NA
MSA 25420 – Harrisburg/Carlisle-PA	Limited Scope	None	NA
MSA 48700 – Williamsport-PA	Limited Scope	None	NA
MSA 49660 – Youngstown/Warren/Boardman PA-OH	Limited Scope	None	NA
Non MSA – Cattaraugus/Chautauqua- NY	Full Scope	None	NA
MSA 15380 – Buffalo/Niagara Falls- NY	Limited Scope	None	NA
MSA 40380-Rochester- NY	Limited Scope	None	NA
MSA 12580 – Baltimore-Towson MD	Full Scope	None	NA
MSA 17460 – Cleveland/Elyria/Mentor -OH and Non MSA – Ashtabula	Full Scope	None	NA

APPENDIX B

SUMMARY OF STATE AND MULTISTATE MSA RATINGS				
STATE OR MULTISTATE MSA NAME:	LENDING TEST RATING:	INVESTMENT TEST RATING:	SERVICE TEST RATING:	OVERALL STATE RATING:
Pennsylvania	Low Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
New York	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Maryland	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Ohio	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

APPENDIX C - GENERAL CRA DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Statistical Area (MSA/MD): The Metropolitan Statistical Areas have at least one urbanized area of 50,000 or more population. There are 11 instances (Boston, Chicago, Dallas, Detroit, Los Angeles, Miami, New York, Philadelphia, San Francisco, Seattle, and Washington) where a Metropolitan Statistical Area containing a single core with a population of 2.5 million or more has been subdivided to form smaller groupings of counties referred to as **Metropolitan Divisions** (One or more large population centers and adjacent communities that have a high degree of economic and social integration.) Each MD must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MD comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MDs are composed of cities and towns rather than whole counties.

Combined Statistical Area (CSA): The larger area of which MSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have GARs of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX D - INVESTMENT DEFINITIONS

Community Development Corporation (“CDC”): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank’s regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (“CDFIs”): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX E - STANDARD LANGUAGE

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.